Paint Process Pact Signed

Special to Journal of Commerce

CLEVELAND, Ohio, Jan. 12—The Sherwin-Williams Co. and API Instruments Co. have announced the two concerns have signed a licensing agreement under which the latter will manufacture and market a Sherwin-Williams developed electronic monitor for use in connection with the electrode-position of paint.

The electrodeposition process deposits highly uniform films of paint by a method similar to that used in electroplating. Paint in a large tank is electrolytically attracted to the object being painted as the object moves through the tank. Since the paint is attracted equally to all surfaces, the result is a completely uniform coating, even on sharp corners and edges.

The monitoring device is designed to control critical factors in the process including: the alkalinity of the paint solution, its electrical resistivity, the percentage of non-volatile materials and the temperature of the paint.

Chesterland's API Adds Line of Pyrometers

API Instruments Co. of Chesterland has purchased a line of radiation pyrometers, including tools and inventory, from Fostoria Corp., Fostoria, O. Price was not disclosed.

In broadening his company's stake in temperature measurement, John D. Saint-Amour, API president, says the pyrometers will enable API to offer customers another sensing method to go with the thermocouples and resistance probes now used with temperature controllers.

API will add the new line to its industrial temperature controllers.

The pyrometers are described by Saint-Amour as being "especially suitable for industrial processes where products are moving, as in infrared ovens or where ordinary sensors cannot be installed easily."

API Instruments Gains on Report of Merger

By JOHN J. CLEARY
General Business Editor

API Instruments Co., Chesterland manufacturer of electro-mechanical and electronic instruments and allied products, has received an overture for merger.


JOHN J. CLEARY

This became known yesterday when the bid price of the company's 5¾% convertible debentures shot up 11 points on the over-the-counter market here to 107 bid and 117 asked. At the same time, the company's common stock moved up ⅞ point on the American Stock Exchange to 15½.

An inquiry to John D. Saint-Amour, API president, brought this response:

"A preliminary inquiry about a possible merger has been received." He added, however, that "no definitive discussions about such a merger have taken place."

THE EXECUTIVE declined to elaborate on his cryptic statement or to identify the company making the inquiry.

There was no indication whether this latest development might be a move to block the ambitions of Technology, Inc., of Dayton, to obtain control of API.

Technology, which has stated it owns 9.6%, or 51,700 shares of API, attempted earlier this year to make a tender offer to buy 100,000 shares of API at $20 per share.

However, Technology subsequently withdrew its offer after U.S. District Court here issued a temporary restraining offer.

At that time, Saint-Amour said API management would continue to resist Technology's acquisition efforts.

ON OCT. 8 this year, API stockholders at a special meeting here approved a management proposal requiring a request of owners of at least 35% of API shares to call a special meeting to consider a merger, amend regulations or change directors.

This was aimed at thwarting Technology.

However, API shareholders defeated a management proposal to require a three-fourths vote by shareholders to approve a merger with a company or group owning more than 10% of API's stock.

Yesterday API Instruments reported for the nine months ended Sept. 30 record net income and sales. Net earnings were $377,012, or 67 cents per share, on sales of $8,154,340, compared with $138,852, or 27 cents a share, on sales of $6,974,524 a year earlier.

Following Finance

API Chief Paints Rosy Sales Picture

By JOHN E. BRYAN
Financial Editor

President John D. Saint-Amour of API Instruments Co., Chesterland, paints a rosy picture of company sales doubling to the $16-million level by 1970, currently soaring profit and more employes needed.


JOHN E. BRYAN

Addressing the Cleveland - Akron Council of the National Association of Investment Clubs in Hotel Statler Hilton last night, API's chief predicted shipments of $8.5 million this year and earnings keeping pace at the present rate of approximately 6.5% of shipments after taxes.

EARNINGS FOR the nine months ending Sept. 30 will be up at least 30% over the $277,554 profit in the same year-ago period, according to Saint-Amour.

He said that orders thus far in 1966 are running approximately 66% ahead of those a year ago.

Employment at API has passed the 700-mark, up from around 585 at the end of 1965.

SAINT-AMOUR said more persons will be needed when the addition to API's controls division plant is completed next month. The new plant will add 21,600 square feet.

The head of the company, which makes industrial controllers, meter-relays and precision panel meters, cited a number of new products as contributing to API's present growth rate.

THESE INCLUDE a line of radiation pyrometers for indicating and controlling temperatures at considerable distances from the source of heat.

Other new products include new temperature controllers especially designed for textile machinery, and digital temperature controllers for industrial machinery.

API INSTRUMENTS COMPANY

Chesterland, Ohio

To the Shareholders of

API INSTRUMENTS COMPANY:

A Special Meeting of Shareholders has been called by the Board of Directors to be held on March 13, 1970, at 2:00 o'clock P.M. for the purpose of considering and voting on an Agreement of Merger providing for the merger of API Instruments Company into LFE Corporation ("LFE"), which is to be the surviving corporation. Attached are a Notice of Meeting and a Proxy Statement which sets forth the details of these proposals and includes a copy of the Agreement of Merger.

As you know, API is a manufacturer of electronic and electro-mechanical devices for measurement, display, and control in industrial processes and research activities. LFE is a manufacturer of traffic control equipment, industrial process control equipment, pumps, and cooling equipment. In the opinion of the management of API, the merger of API and LFE will result in a more diversified company with greater resources, including financial strength and research capability, than your company enjoyed in the past. The Board of Directors and management have carefully considered and unanimously approved the merger as being in the best interests of API and its shareholders.

In the merger, each of your shares of API Common Stock will be converted into one share of LFE Common Stock and three-tenths of one share of a new class of LFE Series Preferred Stock. Each share of the new LFE Series Preferred Stock will be entitled to vote and to cumulative dividends at the rate of 50¢ per year, and will be initially convertible into one-half share of LFE Common Stock. Application will be made to list the shares of LFE Series Preferred Stock which you will receive in the merger on the New York Stock Exchange. LFE Common presently is listed on that Exchange.

Since this merger is of the utmost importance to the future of API shareholders and requires approval by the holders of two-thirds of the shares of API Common Stock, as described in the accompanying Proxy Statement, I urge you to return promptly your signed proxy in the enclosed envelope so that your shares will be voted at the meeting. The Board of Directors strongly recommends that you vote in favor of the merger. If you wish to attend the Meeting, you will be given the opportunity to vote in person, if you so desire, even though you have already sent in your proxy.

Sincerely yours,

JOHN D. SAINT-AMOUR
President

February 16, 1970

API INSTRUMENTS COMPANY

Notice of Special Meeting of Shareholders

March 13, 1970

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of API Instruments Company, an Ohio corporation (the "Company"), will be held at The National City Bank of Cleveland, 631 Euclid Avenue, Cleveland, Ohio on Friday, March 13, 1970, at 2:00 P.M., E.S.T., to consider and take action with respect to:

(a) Adoption of the Agreement of Merger, in the form set forth as Appendix I to the Proxy Statement accompanying this Notice, between the Company and LFE Corporation, a Delaware corporation.

(b) The transaction of such other business as may properly come before the Meeting and any adjournment or adjournments thereof.

The stock transfer books of the Company will not be closed but only shareholders of record at the close of business on January 16, 1970, are entitled to notice of and to vote at the Meeting and any adjournment or adjournments thereof.

The Board of Directors of the Company has authorized the solicitation of proxies by and on behalf of the Management and your attention is directed to the Proxy Statement accompanying this Notice.

By order of the Board of Directors

MYRON W. ULRICH
Secretary

February 16, 1970
Chesterland, Ohio

A Proxy to vote at such Special Meeting and a Proxy Statement are enclosed herewith. All shareholders, even though they now plan to attend the Meeting, are requested to FILL IN, DATE, SIGN and MAIL their Proxy promptly to the Company in the enclosed envelope which requires no postage if mailed in the United States.

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Special Meeting of Stockholders

of

LFE CORPORATION

March 13, 1970

Special Meeting of Shareholders

of

API INSTRUMENTS COMPANY

March 13, 1970

Joint Proxy Statement

PURPOSE OF MEETINGS — RECORD DATE

This Proxy Statement relates to a Special Meeting of Stockholders of LFE Corporation, a Delaware corporation ("LFE") and a Special Meeting of Shareholders of API Instruments Company, an Ohio corporation ("API"), both to be held on March 13, 1970 (the "LFE Special Meeting" and the "API Special Meeting", respectively), and is furnished in connection with the solicitation of proxies for use at such Meetings, and any adjournment or adjournments thereof, by the managements of LFE and API, respectively.

At the LFE Special Meeting, LFE stockholders will be asked to vote upon the matters set forth in the LFE Notice of Special Meeting of Stockholders. These matters are respectively discussed below under the headings "Highlights of the Proposed Merger", "The Proposed Merger" and "Proposed Amendment to LFE 1968 Stock Option Plan".

At the API Special Meeting, API shareholders will be asked to vote upon the matter set forth in the API Notice of Special Meeting of Shareholders. This matter is discussed below under the headings "Highlights of the Proposed Merger" and "The Proposed Merger".

The close of business on January 16, 1970, has been fixed as the record date for the determination of holders of shares of LFE Common Stock, par value $1 per share ("LFE Common"), who are entitled to vote at the LFE Special Meeting and any adjournment or adjournments thereof. There were 1,315,512 shares (not including 14 treasury shares) of LFE Common outstanding on that date. To the best of the knowledge of LFE management, no person owned more than 10% of the outstanding shares of LFE Common on that date. Each share of LFE Common entitles the holder to one vote on each matter brought before the LFE Special Meeting.

The close of business on January 16, 1970, has been fixed as the record date for the determination of holders of API Common Stock, par value $1 per share ("API Common"), who are entitled to vote at the API Special Meeting and any adjournment or adjournments thereof. There were 549,916 shares (not including 6,934 treasury shares) of API Common outstanding on that date. To the best of the knowledge of API management, no person owned more than 10% of the outstanding shares of API Common on that date. Each share of API Common entitles the holder to one vote on all matters brought before the API Special Meeting.

HIGHLIGHTS OF THE PROPOSED MERGER

A brief summary of certain provisions of the Agreement of Merger attached hereto as Appendix I (the "Merger Agreement") and of certain matters relating to the proposed Merger of API with and into LFE, are set forth below, but such brief summary is qualified in its entirety by reference to the "Proposed Merger" and the Merger Agreement.

The Merger Transaction

The Merger Agreement provides for the merger (the "Merger") of API into LFE pursuant to the laws of the States of Ohio and Delaware. LFE will be the surviving corporation and will continue its existence as a Delaware corporation under its present name of "LFE Corporation". All the business, assets and property of API will vest in, and all liabilities of API will be assumed by, LFE as the corporation surviving the Merger. The separate corporate existence of API will cease when the Merger becomes effective. However, promptly after the Merger all or substantially all of the business, assets, property and liabilities of API will be transferred by LFE to Eflipa, Inc., a Delaware corporation ("New API"), wholly-owned by LFE, the name of which then will be changed to "API Instruments Company". This will preserve the name and separate identity of API as a business and organizational unit.

Effect on API Shares

On the Merger Date, each share of API Common outstanding immediately prior to the Merger Date (other than shares owned by LFE or held in the treasury of API or by any subsidiary of API) will be converted into one share and .3 of one share, respectively, of LFE Common and LFE voting Cumulative Preferred Stock, without par value, $.50 Convertible Series A ("LFE Preferred"). See "The Proposed Merger — Conversion and Exchange of Shares".

Description of LFE and API

LFE is a manufacturer of traffic control equipment, industrial process control equipment, pumps and cooling equipment. See "Business and Property of LFE". API is a manufacturer of electronic and electro-mechanical devices and systems used for measurement, display and control in industrial processes and research activities. See "Business and Property of API". As at October 24, 1969 the Stockholders' Investment of API was approximately $3,900,000, and the Stockholders' Investment of LFE was approximately $12,200,000 (after giving effect to a retained earnings deficit of $6,050,000). See "Pro Forma Combined Balance Sheet".

Management of LFE After the Merger

David T. Morgenthaler, Chairman of the Board of API, and John T. Saint-Amour, President of API, will be added to the present Board of Directors of LFE on the Merger Date, and Mr. Saint-Amour will be elected a Group Vice-President of LFE. See "Information Concerning Directors and Officers — LFE Board After the Merger". No management changes in the API entity presently are contemplated as a result of the Merger.

Votes Required — Appraisal Rights

At the Meetings, stockholders will be asked to adopt the Merger Agreement, which, in the case of LFE stockholders, will also effect an amendment and restatement of LFE's Certificate of Incorporation. The affirmative votes which will be required for such adoption and approval are: two-thirds of the shares of API Common and a majority of the shares of LFE Common. Shareholders of API will have rights of appraisal provided by Ohio law. Under Delaware law, stockholders of LFE have no rights of appraisal in connection with the Merger. See "The Proposed Merger — Rights of Dissenting Shareholders".

The Boards of Directors of both API and LFE (by unanimous vote of all directors present at their respective meetings) have approved the Merger Agreement and, for the reasons set forth in the preceding letter from the President of your company, recommended that it be adopted by their respective stockholders. The proposed ratios for the change of API shares into LFE shares resulted from arm's-length negotiations between the managements of the two companies, and are considered by the Board of Directors of API and LFE to be fair and equitable. The managements and the Boards of the two companies took into account the respective market prices of LFE and API shares, the respective results of operations, dividends, businesses, prospects and book values, and other factors. In addition, the Board of API considered proposals to acquire API made by other publicly-held companies.

Accordingly, the Directors of both companies strongly urge a vote **FOR** adoption of the Merger Agreement.

Federal Tax Consequences

The proposed Merger is intended to be a tax free reorganization for Federal income tax purposes. See "The Proposed Merger — Federal Tax Consequences".

COMPARATIVE MARKET PRICES

LFE Common is listed on the New York Stock Exchange and API Common is listed on the American Stock Exchange. No shares of LFE Preferred have been issued. The high and low sales prices per share of such stocks on the respective Exchanges for the quarterly calendar periods indicated were as follows, as shown by the records of the respective companies:

	LFE Common		API Common	
Period	High	Low	High	Low
1968:				
First Quarter	25⅞	18	20	13⅝
Second Quarter	30¼	21⅛	17¾	14⅛
Third Quarter	34⅜	25⅛	18	12¼
Fourth Quarter	35	28½	14⅞	12½
1969:				
First Quarter	34⅜	23½	16⅛	13⅜
Second Quarter	29¼	20¾	18	12½
Third Quarter	24¾	17¾	14¾	12⅝
Fourth Quarter	29½	20¼	24½	13½
1970 First Quarter (through February 9)	22½	17¼	24⅛	18½

On February 9, 1970, the closing per share prices for LFE Common and API Common on the respective Exchanges were 17¼ and 18½, respectively.

The proposed Merger was first publicly announced on Monday, November 24, 1969. On Friday, November 21, 1969, the closing per share prices for LFE Common and API Common on the respective Exchanges were 27¾ and 17⅝, respectively.

COMPARATIVE PER SHARE DATA (Unaudited)

The following table sets forth historical per share data of LFE and API and pro forma per share data based on the assumption that the Merger had been an accomplished fact during the periods indicated, and should be read in conjunction with the financial statements, including the notes thereto, of LFE and API and the pro forma financial statements giving effect to the Merger, included elsewhere in this Proxy Statement.

	Historical Net Income (Loss) per share of Common Stock		Pro Forma Combined Net Income (Loss) per share of LFE Common (B)					
			Before Conversion of LFE Preferred				After Conversion of LFE Preferred	
				API (C)				
	LFE	API	LFE	Per Share of LFE Common	Dividend on LFE Preferred	API Total	LFE	API (D)
Fiscal Year Ended April (A)								
1965	$(.35)	$.71	$(.10)	$(.10)	$.15	$ .05	$(.06)	$(.07)
1966	.26	.88	.39	.39	.15	.54	.42	.48
1967	(.83)	.99	(.36)	(.36)	.15	(.21)	(.31)	(.36)
1968	(3.70)	.73	(2.49)	(2.49)	.15	(2.34)	(2.35)	(2.70)
1969 Before extraordinary credit	.36	.57	.37	.37	.15	.52	.40	.46
Including extraordinary credit	.87	.57	.73	.73	.15	.88	.75	.86
Six Months Ended October								
1968 Before extraordinary credit	.07	.22	.09	.09	.075	.165	.11	.13
Including extraordinary credit	.13	.22	.14	.14	.075	.215	.15	.17
1969 Before extraordinary credit	.19	.44	.24	.24	.075	.315	.25	.29
Including extraordinary credit	.39	.52	.41	.41	.075	.485	.41	.47

Stockholders' Investment per share of Common Stock — As of October 1969	LFE	API
Historical	$9.34	$ 7.43
Pro Forma		
Assuming no conversion of LFE Preferred to be issued	7.57	11.77(E)
Assuming full conversion of LFE Preferred to be issued	8.42	9.68(D)

(A) For LFE the five fiscal years ended April 25, 1969 and for API the five fiscal years ended December 31, 1968.

(B) See Note to Pro Forma Combined Statement of Operations.

(C) Amount applicable to one share of API Common after it is exchanged for one share of LFE Common and .3 of one share of LFE Preferred (1 share of LFE Common plus .3 of the $.50 dividend on the LFE Preferred).

(D) Amount applicable to one share of API Common after it is exchanged for 1.15 shares of LFE Common (.3 of a share of LFE Preferred converts into .15 of a share of LFE Common).

(E) Amount applicable to 1 share of LFE Common plus $4.20 a share (representing .3 of $14.00 a share liquidation preference of LFE Preferred).

Dividends

No dividends were paid or declared on LFE Common during the five years ended April 25, 1969. The following table sets forth the cash dividends paid on API Common for the five years ended December 31, 1969 and the annual dividends on the new LFE Preferred applicable to one share of API Common (.3 of the $.50 dividend on the LFE Preferred).

	Cash Dividend on API Common	Pro Forma Cash Dividend on LFE Series Preferred applicable to one share of API Common
1965	$.35	$.15
1966	.40	.15
1967	.40	.15
1968	.20	.15
1969	.10	.15

THE PROPOSED MERGER

A more detailed summary of certain provisions of the Merger Agreement is set forth below, but such summary is qualified in its entirety by reference to the Merger Agreement.

Conversion and Exchange of Shares

The Merger will not change the presently outstanding shares of LFE Common (nor any shares of LFE Common held in the treasury). Each share of LFE Common outstanding at the Merger Date and each share of the LFE Common then owned by LFE and held in its treasury, if any, will continue as one share of LFE Common. The certificates for such shares will not be surrendered or in any way modified by reason of the Merger becoming effective.

On the Merger Date, each share of API Common outstanding immediately prior to the Merger Date (other than shares owned by LFE or held in the treasury of API or by any subsidiary of API) will be converted into one share and .3 of one share, respectively, of LFE Common and LFE Preferred. See "Description of Capital Stock of LFE". Any shares of API Common held by LFE or held in the API treasury on the Merger Date (as hereinafter defined) will be cancelled.

Based on 536,491 shares of API Common outstanding on October 31, 1969, the estimated total number of shares of LFE Common and LFE Preferred to be issued on the Merger Date will be 536,491 and 160,947, respectively. In addition, on the same basis an aggregate of 66,739 shares of LFE Common and an aggregate of approximately 20,022 shares of LFE Preferred will be issuable by LFE, as described below, upon the exercise of API Options (as hereinafter defined) to be assumed by LFE and upon the conversion of the API Debentures (as hereinafter defined). Further, the estimated 160,947 shares of LFE Preferred to be issued on the Merger Date will be immediately convertible into approximately 80,473 shares of LFE Common. The shares of LFE Common to be issued by LFE will be presently authorized but unissued shares. See "Capitalization".

At the Merger Date, each certificate representing outstanding shares of API Common will be deemed for all corporate purposes to be evidence of ownership of shares of LFE Common and LFE Preferred, but until such API stock certificates are surrendered for exchange for certificates representing shares of LFE Common and LFE Preferred, the holders thereof will not be entitled to any dividends or other distributions payable on their shares of LFE Common or LFE Preferred. All back dividends or distributions, if any, will be paid in full (without interest) at the time such certificates for shares of API Common are so surrendered.

Each holder of shares of API Common will be advised promptly of the Merger Date and the procedure for surrender of his API Common stock certificates for exchange for certificates representing shares of LFE Common and LFE Preferred. Neither certificates for fractional shares of LFE Common or LFE Preferred nor scrip certificates in lieu thereof will be issued to API shareholders. However, arrangements will be made with Old Colony Trust Company, Boston, Massachusetts (the "Exchange Agent"), so that for sixty (60) days after the Merger Date any API shareholder may, through the Exchange Agent, and upon surrender of API Common stock certificates in exchange for the LFE stock certificates to which he is entitled, purchase any additional fractional interest required to make up a full share of LFE Common and/or LFE Preferred, or to sell any fractional interest to which he is entitled. After the expiration of such period, all shares of LFE Common and LFE Preferred held to cover fractional interests for which buy or sell instructions have not been received or executed will be sold by the Exchange Agent for the account of the holders of such fractional interests. Upon surrender of certificates for shares of API Common, the proceeds of such sale will be distributed to the persons entitled thereto.

Amended and Restated Certificate of Incorporation of LFE

The Merger Agreement provides that at or prior to the Merger Date the Certificate of Incorporation of LFE will be amended and restated to read as set forth in Exhibit A to Appendix I (the

Merger Agreement) to this Proxy Statement. The principal substantive amendment to be effected is the addition of a more detailed provision establishing the terms applicable to all series of the LFE Series Preferred Stock ("Series Preferred"), including the shares of Series A (the "LFE Preferred") which are to be issued in the Merger. See "Description of Capital Stock of LFE — LFE Series Preferred Stock", and Article FOURTH, Division A of the proposed Restated Certificate. The new provision will replace a more generalized provision in the present Certificate of Incorporation. In addition, as permitted by recent amendments to the Delaware General Corporation Law, the proposed Restated Certificate simplifies LFE's present Certificate of Incorporation by eliminating a detailed description of LFE's corporate purposes, and by deleting provisions now covered by law.

The present Certificate of Incorporation of LFE consists of the original Certificate of Incorporation filed in 1946 and subsequent amendments. Since the Certificate of Incorporation must be referred to from time to time by the LFE management, the present form of this instrument is a source of considerable inconvenience. A provision added to the Delaware General Corporation Law in 1967 permits a corporation to integrate into a single instrument all provisions of its original certificate of incorporation and subsequent amendments then in effect, and also further amend its certificate of incorporation. The proposed Restated Certificate of Incorporation incorporates in one instrument the effective provisions of the original Certificate of Incorporation and the prior and proposed amendments referred to above.

If the Merger Agreement is adopted, such amended and Restated Certificate of Incorporation will become the Certificate of Incorporation of LFE.

By-Laws; Directors; Officers

The By-Laws of LFE, as in effect at the Merger Date, will continue to be the By-Laws of LFE, as the surviving corporation. After the Merger the directors and officers of LFE will be those individuals specified in Exhibit C to Appendix I (the Merger Agreement) to this Proxy Statement. Nine of the eleven directors of LFE specified therein are presently serving as directors of LFE and the other two are presently serving as directors of API. See "Information Concerning Directors and Officers". Exhibit C also provides that Herbert Roth, Jr. (President of LFE) will be President of the surviving corporation and that John D. Saint-Amour (President of API) will be a Group Vice President of the surviving corporation; the other management positions of the surviving corporation will remain substantially as at present within LFE.

Assumption of API Stock Options

If the Merger becomes effective, LFE will assume all outstanding options of API granted under the API Qualified Stock Option Plan (collectively, the "API Options"). LFE will issue and deliver to each holder of an API Option upon its exercise in whole or in part, at the option price set forth in such API Option and on the same terms and conditions, one share of LFE Common and .3 of one share of LFE Preferred for each share of API Common covered by such API Option. At October 31, 1969, 21,250 shares of API Common were subject to outstanding options under API's Qualified Stock Option Plan. In the case of each such API Option the option price was the market price of the API Common on the date such API Option was granted. The API Options expire five years from the date of grant. See "Profit-Sharing and Other Remuneration Plans — Stock Options of API".

Assumption of API Debentures

If the Merger becomes effective, LFE will assume all obligations of API under API's outstanding 5¾% Convertible Subordinated Debentures due 1972 (the "API Debentures") and under the related Indenture dated September 2, 1962 between API and The National City Bank of Cleveland, as Trustee (the "Indenture"). From and after the Merger Date, unless and until duly redeemed, the API Debentures then outstanding are convertible, at the conversion price set forth in the Indenture,

into one share of LFE Common and .3 of one share of LFE Preferred for each share of API Common into which such API Debentures otherwise would have been convertible. In that connection, the Merger Agreement provides that at or immediately prior to the Merger Date API is to give to the holders of API Debentures notice of redemption in the manner provided in the Indenture. Thereupon, the holders of the API Debentures shall have not less than 30 days nor more than 60 days, as specified in such notice, either to convert their API Debentures into shares of LFE Common and LFE Preferred, or to submit them to LFE for redemption.

At October 31, 1969, the conversion price of the API Debentures was $13.46 per share, and the closing price per share of API Common on the American Stock Exchange was 17½. On that date, API Debentures in the principal amount of $612,000 were outstanding, which if then converted would result in approximately 45,489 shares of API Common, which in turn will be changed in the Merger into 45,489 shares of LFE Common and 13,647 shares of LFE Preferred. The applicable redemption price of the API Debentures will be 102% of the principal amount thereof, or approximately $624,240, together with interest accrued and unpaid thereon, if any, to the date fixed for redemption.

In the opinion of the managements of LFE and of API, most of the API Debentures will be converted rather than redeemed if the market prices of shares of LFE Common and LFE Preferred continue at higher levels than the conversion price of the API Debentures (giving effect to the Merger).

Conditions; Waivers; Modification; Termination

The Merger Agreement provides that each company will conduct its business only in the ordinary course until the Merger Date.

By the terms of the Merger Agreement, the consummation of the Merger is conditioned upon (a) the requisite LFE and API stockholder votes, (b) satisfactory tax status (See "Federal Tax Consequences"), (c) the listing on the New York Stock Exchange of the LFE Common and the LFE Preferred to be issued in connection with the Merger and reserved for issuance upon exercise of the API Options and upon conversion of the API Debentures (See "Stock Exchange Listings"), (d) compliance by the parties with their agreements, warranties and representations (relating principally to the absence of certain material adverse changes or occurrences or circumstances relating to the financial condition, results of operations or businesses of the parties) under the Merger Agreement, and (e) satisfaction of certain other conditions contained in the Merger Agreement, including without limitation consummation of the Merger on or before May 1, 1970. LFE's obligation is also subject to the condition that the holders of not more than 15% of the outstanding shares of API Common which were not voted in favor of the Merger make written objection to the Merger pursuant to the exercise of dissenters' appraisal rights under Ohio law. See "Rights of Dissenting Shareholders." Any of such conditions and any other provisions of the Merger Agreement may be waived at any time on behalf of the company which is, or the shareholders of which are, entitled to the benefit thereof, if the waiver is approved by its Board of Directors, provided that any such waiver after the last vote of the shareholders of such party shall not, in the judgment of its Board, affect materially and adversely the benefits of such company or its shareholders intended under the Merger Agreement. Any of the provisions of the Merger Agreement may be modified at any time prior to or after the vote thereon of shareholders of either company in writing approved by the Board of Directors of each company and executed in the same manner (but not necessarily by the same persons) as the Merger Agreement, provided that such modification, after the last vote of the shareholders of a party shall not, in the judgment of the Board of Directors of such party, affect materially and adversely the benefits of such party or its shareholders under the Merger Agreement.

The Merger Agreement may be terminated prior to the Merger Date (a) by mutual written consent of LFE and API authorized by their respective Boards of Directors, (b) by written notice from API to LFE, authorized by API's Board of Directors, if the conditions to API's obligations to consummate the Merger are not satisfied, or (c) by written notice from LFE to API, authorized by

LFE's Board of Directors, if the conditions to LFE's obligations to consummate the Merger are not satisfied.

The management of neither company presently is aware of any facts which would require either Board of Directors to exercise the right to waive conditions or approve a modification in order to complete the Merger or which would cause either Board of Directors to terminate the Merger Agreement.

Cash Dividends

The annual cash dividend on API Common normally has been scheduled to be paid on the first day of July. Since the API shareholders will not receive the July 1, 1970 dividend if the Merger is consummated prior to such date, the Merger Agreement permits payment of a dividend on API Common in a maximum amount of $.07 cents per share to holders of record of API Common as of a date preceding the Merger Date. Accordingly, the Directors of API have declared a dividend, contingent upon consummation of the Merger, of $.07 per share to holders of record of API Common or their assigns at the close of business on the day immediately preceding the Merger Date, payable upon presentation of their Certificates for API Common to the Exchange Agent for exchange. See "Conversion and Exchange of Shares". Information as to API dividend history is set forth under "Comparative Per Share Data". No dividend has ever been paid on the LFE Common, it having been the express policy of the Board of Directors of LFE that earnings be reinvested in the business. It is expected that the same policy will be followed in the foreseeable future.

Rights of Dissenting Shareholders

Under Ohio law, shareholders who dissent from the proposed Merger have the rights provided by Section 1701.85 of the Ohio Revised Code, the provisions of which are summarized below. The summary is qualified in its entirety by reference to the text of such section attached as Appendix II to this Proxy Statement. In the opinion of LFE's counsel, under Delaware law LFE stockholders have no dissenters' rights in connection with the Merger.

Under Section 1701.85 of the Ohio Revised Code, a shareholder whose shares have not been voted in favor of a merger proposal is entitled to be paid the fair cash value of his shares held of record by him on the record date for the meeting of shareholders of his corporation (such value being determined as of the day before the vote is taken by the shareholders of his corporation authorizing the merger but excluding any appreciation or depreciation resulting from the merger proposal), provided he shall, on or before the thirtieth day after the giving of notice of the meeting or the tenth day after the taking of the vote authorizing the merger (whichever is later), serve upon the corporation a written demand for such payment. In his demand he shall state his name and address, the number and class of shares so held by him on the record date with respect to which demand is made, and the amount per share claimed as the fair cash value. The right of a dissenting shareholder to be paid the fair cash value of his shares will cease if the corporation abandons or is prevented from carrying out the merger, or if the shareholders' authorization therefor is rescinded, or if he fails to comply with a request to deliver his certificates for endorsement of an appropriate legend thereon within fifteen days after the mailing by the corporation of such request. No demand for payment of the fair cash value of his shares may be withdrawn by any shareholder unless the corporation, by its Board of Directors, consents to such withdrawal. Within 10 days after the expiration of the period within which such demand may be made, the corporation may notify such dissenting shareholder in writing that it is unwilling to pay the amount demanded by him, and may make a counter-offer of a different amount per share as the fair cash value of the shares in question. If the dissenting shareholder is dissatisfied with such counter-offer, he may, within three months after the day on which the vote was taken authorizing the Merger, petition the Court of Common Pleas of Geauga County, Ohio at Chardon, Ohio for a determination of the fair cash value of his shares. Such action must conform to the provisions of section 1701.85 of the Ohio Revised Code. All voting and dividend rights of shares for which payment has been demanded will be suspended until termination of the right arising from such de-

mand or the purchase of such shares by the corporation. Every shareholder who does not demand in writing payment of the fair cash value of his shares as aforesaid, or who votes in favor of the Merger proposal, is bound by the vote of the assenting shareholders and will have no right to the payment of the fair cash value of his shares as a result of the merger. Voting against the Merger does not in itself constitute the demand for payment required by Section 1701.85 of the Ohio Revised Code.

Merger Date

The Merger will become effective, and the "Merger Date" will occur, when the Merger Agreement is duly filed with the Secretary of State of the States of Ohio and Delaware in accordance with the laws of those States. It is expected that the Merger will become effective as soon as practicable after receipt of the requisite votes of LFE and API stockholders and after receipt of a satisfactory tax ruling and/or opinions of counsel or waivers by API, as referred to in "Federal Tax Consequences."

Stock Exchange Listings

The LFE Common is listed on the New York Stock Exchange. None of the LFE Preferred is presently outstanding. Application will be made for the listing on the New York Stock Exchange of (i) the shares of LFE Common and LFE Preferred to be issued in the Merger, (ii) the shares of LFE Common reserved for issuance upon conversion of the shares of LFE Preferred to be issued in the Merger, (iii) the shares of LFE Common and LFE Preferred reserved for issuance in connection with the exercise of the API Options and the conversion of the API Debentures, and (iv) the 40,000 additional shares of LFE Common to be reserved for issuance in connection with the grant and exercise of employee stock options in the event the amendment to the LFE 1968 Stock Option Plan is approved by the LFE stockholders. See "Proposed Amendment to LFE 1968 Stock Option Plan".

API Common is presently listed on the American Stock Exchange. Such listing will terminate on the Merger Date.

Federal Tax Consequences

LFE and API have applied to the Internal Revenue Service ("IRS") for a ruling to the effect that:

(a) The Merger will constitute a reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code of 1954, as amended (the "Code").

(b) No gain or loss will be recognized to LFE or API in the Merger or in the subsequent transfer of the API assets to New API.

(c) The basis of the API assets in the hands of New API will be the same as the basis of such assets in the hands of API immediately prior to the Merger.

(d) The holding period of API assets in the hands of New API will include the period during which such assets were held by API.

(e) Upon the transfer of the API assets to New API the basis of the stock of New API will be increased by an amount equal to the basis of the assets received by New API reduced by the liabilities to which such assets are subject.

(f) No gain or loss will be recognized to an API shareholder on the exchange of API Common for LFE Common and LFE Preferred in the Merger.

(g) The basis of the LFE Common and the LFE Preferred (including any fractional share interests) received by an API shareholder in the Merger will be the same as the basis of API Common exchanged therefor.

(h) The holding period of LFE Common and LFE Preferred (including any fractional share interests) received by an API shareholder in the Merger will include the holding period of API Common exchanged therefor, providing the API Common so exchanged is held as a capital asset on the Merger Date.

(i) The LFE Preferred received by the shareholders of API will constitute "Section 306 Stock" within the meaning of Section 306(c)(1)(B) of the Code, but Section 306(a) of the Code will not apply to the proceeds of a disposition of LFE Preferred or LFE Common received on conversion of LFE Preferred.

(j) The sale of a fractional interest of LFE Common or LFE Preferred will result in gain or loss to an API shareholder measured by the difference between the basis of the fractional share interest and the proceeds of the sale. The gain or loss will be a capital gain or loss, subject to the provisions and limitations of Subchapter P of Chapter 1 of the Code, provided such interest is held as a capital asset on the date of the exchange.

The ruling application may cover other points as well and the Merger Agreement provides that LFE and API may request, and withdraw requests for, such additional rulings as they may mutually deem expedient. The Merger Agreement also provides that receipt of a ruling at least as satisfactory as that requested or (with respect to any of such matters as to which such a favorable ruling shall not have been received) opinions of counsel, satisfactory to each Board of Directors, is a condition to the obligations of the parties, provided, however, that API may, in its sole discretion, withdraw such ruling request on behalf of LFE and API, and rely as to the matters covered by such ruling request on an opinion of counsel.

LFE and API each will be entitled to terminate the Merger Agreement if the IRS shall have issued a ruling with respect to any matter not requested and each Board of Directors (upon advice of counsel) shall have determined on or before the Merger Date that such ruling may adversely affect the benefits to it or its stockholders intended under the Merger Agreement.

CAPITALIZATION

The capitalization of LFE and API as of October 24, 1969 and the pro forma capitalization of LFE after giving effect to the proposed Merger (treated as a pooling of interests for accounting purposes) are as follows:

	LFE	API	Pro Forma Combined (1)
Long and Short-Term Debt:			
Bank loans	$4,852,000	$ 500,000	$5,352,000
6% Mortgage loan payable quarterly in equal instalments plus interest through May 1, 1985	2,966,000	—	2,966,000
6¾% Mortgage loan payable quarterly in equal instalments plus interest through December 1, 1982	530,000	—	530,000
5¾% Convertible Subordinated Debentures Due 1972	—	612,000	612,000 (2)
	$8,348,000	$1,112,000	$9,460,000
Series Preferred Stock			
Authorized	—	—	500,000 shs.
Outstanding — Series A, Cumulative, Convertible, stated value $10 per share, $.50 annual dividend (entitled in liquidation to $14 per share, or $2,253,000)	—	—	160,947 shs. (3)
Common Stock, par value $1 per share			
Authorized	4,000,000 shs.	—	4,000,000 shs.
Outstanding	1,315,165 shs. (4)	—	1,851,656 shs. (5)
Authorized	—	750,000 shs.	—
Outstanding	—	536,491 shs. (6)	—

(1) The pro forma combined amounts give effect to the proposed issuance of 536,491 shares of LFE Common and 160,947 shares of LFE Preferred in exchange for 536,491 shares of API Common.

(2) Pursuant to the terms of the Merger Agreement, a notice of redemption will be given by API on or prior to the Merger Date.

(3) Does not include 20,022 shares reserved for issuance pursuant to exercise of outstanding API Options and conversion of the API Debentures.

(4) Does not include 96,030 shares reserved for issuance pursuant to exercise of outstanding LFE employee stock options, or 21,207 shares reserved for employee stock options which may be granted in the future under existing LFE stock option plans.

(5) Does not include 117,280 shares reserved for issuance upon exercise of outstanding API and LFE employee stock options, or 45,489 shares reserved for conversion of the API Debentures.

(6) Does not include 21,250 shares reserved for issuance upon exercise of outstanding API Options or 45,489 shares reserved for conversion of the API Debentures.

LFE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

The following consolidated statement of operations of LFE Corporation (formerly Laboratory For Electronics, Inc.) and its subsidiaries for the five years ended April 25, 1969, has been examined by Arthur Andersen & Co., independent public accountants, as set forth in their report included elsewhere in this Proxy Statement. The consolidated statement of operations for the six months ended October 25, 1968 and October 24, 1969, not examined by independent accountants, includes all adjustments (consisting only of normal recurring adjustments) considered by LFE necessary to present fairly the results of operations for such periods. The statement of operations should be read in conjunction with LFE's financial statements and related notes appearing elsewhere in this Proxy Statement. The results of operations shown for the six months ended October 24, 1969, are not necessarily indicative of the results to be expected for the year ending April 24, 1970.

	Fiscal Year Ended					Six Months Ended	
	April 30, 1965	April 29, 1966	April 28, 1967	April 26, 1968	April 25, 1969	October 25, 1968	October 24, 1969
						(Unaudited)	
GROSS CONTRACT INCOME AND NET SALES (Notes A and C):							
From continuing product lines	$14,027,563	$16,236,348	$18,648,399	$20,876,132	$25,361,956	$11,785,000	$13,273,000
From product lines discontinued (Note B)	26,371,783	33,563,023	39,529,226	32,007,151	18,526,318	12,345,000	2,846,000
	40,399,346	49,799,371	58,177,625	52,883,283	43,888,274	24,130,000	16,119,000
COSTS AND EXPENSES (Note B):							
Cost of sales	33,107,547	39,845,290	49,001,154	45,420,220	32,160,745	17,969,000	11,277,000
Selling, general and administrative expenses	7,800,480	9,019,501	10,114,705	11,737,097	10,102,633	5,708,000	3,982,000
	40,908,027	48,864,791	59,115,859	57,157,317	42,263,378	23,677,000	15,259,000
OPERATING INCOME (LOSS)	(508,681)	934,580	(938,234)	(4,274,034)	1,624,896	453,000	860,000
Profit-sharing contribution (Note 8)	—	—	—	—	(158,657)	(17,000)	(40,000)
Interest expense	(190,831)	(294,911)	(385,711)	(537,661)	(554,824)	(265,000)	(301,000)
NET INCOME (LOSS) BEFORE FEDERAL INCOME TAX AND EXTRAORDINARY CREDITS	(699,512)	639,669	(1,323,945)	(4,811,695)	911,415	171,000	519,000
Provision (credit) for Federal income tax (Notes 7 and C)	(239,000)	299,000	(251,971)	—	446,200	83,000	267,000
NET INCOME (LOSS) BEFORE EXTRAORDINARY CREDITS	(460,512)	340,669	(1,071,974)	(4,811,695)	465,215	88,000	252,000
EXTRAORDINARY CREDITS (Note D)	—	—	—	—	666,187	83,000	267,000
NET INCOME (LOSS)	$ (460,512)	$ 340,669	$(1,071,974)	$(4,811,695)	$ 1,131,402	$ 171,000	$ 519,000
PER SHARE OF COMMON STOCK (E):							
Net income (loss) before extraordinary credits	$(.35)	$.26	$(.83)	$(3.70)	$.36	$.07	$.19
Extraordinary credits, including Federal income tax reduction	—	—	—	—	.51	.06	.20
NET INCOME (LOSS)	$(.35)	$.26	$(.83)	$(3.70)	$.87	$.13	$.39

The notes which follow and the LFE Notes to Financial Statements (numerical references) appearing elsewhere in this Proxy Statement are an integral part of this Consolidated Statement of Operations.

LFE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS

(A) During the fiscal year 1968 LFE changed its method of accounting for sales by its Keleket Division and reflected this change retroactively in the accompanying financial statements. Under the new policy, sales and income thereon are recorded when the equipment is fully installed. Formerly the Division recorded sales upon the shipment of equipment.

This change in accounting for sales had the effect of increasing the net losses for 1968 by $147,000, for 1967 by $425,000 which includes a reduction in the Federal income tax credit for that year of $210,000 as a result of allocating available tax credits to prior years, decreasing net income for 1966 by $96,000 and increasing the net loss for 1965 by $13,000.

This change increased the deficit in retained earnings by $120,000, net of Federal income tax credits of $110,000, as of April 24, 1964.

(B) During the fiscal year 1969, LFE transferred the business of its Keleket Division along with certain assets, liabilities and personnel to a new joint venture corporation in which LFE has a 45% interest. LFE will continue to manufacture a limited line of medical X-ray equipment for sale to the joint venture corporation. Also, certain product lines and related assets of other divisions were sold during the year. In addition, in January 1970, the business and certain assets of the Electronics Division of LFE were sold to Epsco, Incorporated in exchange for Epsco Common Stock and royalties on future sales.

The combined net sales of the Keleket Division, the Electronics Division and other product lines sold have been set forth separately in the accompanying Consolidated Statement of Operations. The results of operations of the Keleket Division, the Electronics Division and other product lines sold have not been set forth separately because common manufacturing facilities and pooled costs make it impracticable to segregate the cost of sales and other expenses related to such operations. For the six months ended October 25, 1968 the management believes that these operations contributed a small loss. The Keleket Division was divested on December 1, 1968 and the product lines mentioned above, other than the Electronics Division, were divested in January 1969. Though the Electronics Division contributed operating income during the six months ended October 24, 1969 this income was after partial absorption of operating overheads of the Electronics Division by other operations of LFE. The management believes that the net income provided by the discontinued operation was not material. With the divesture of the Electronics Division that portion of Electronics Division overhead formerly shared by other operations of LFE will be relieved, for, under the terms of the agreement of sale, LFE will provide services and these services will be purchased by Epsco.

(C) LFE follows the practice of recording estimated profits earned on long-term contracts by applying percentages of completion in each year to estimated final profits. If a loss is indicated by the estimate on a contract, a reserve is provided for the entire loss without reference to the percentage of completion. As these losses are actually incurred, they are charged to the appropriate contract reserve.

The Federal income tax provisions (credits) have been computed on the basis of the income and expenses set forth in the accompanying Consolidated Statement of Operations regardless of when such income and expenses are reported for tax purposes. In Federal income tax returns contract profits and losses are reported in the year in which the contracts are completed.

The Federal income tax credit for the year ended April 30, 1965 is not proportionate to pretax losses because Federal income tax benefits are not recorded on losses of foreign subsidiaries.

Federal income tax credit in the year 1965 of $239,000 offsets deferred taxes provided in prior years. For 1966, $100,000 of the Federal income tax provision was for taxes currently payable and $199,000 was for deferred taxes on uncompleted contracts. The credit for 1967 represents Federal income tax benefits available from operating losses that can be carried back to prior years.

(D) The extraordinary credits consist of the following:

	Fiscal Year Ended April 25, 1969	Six Months Ended October 25, 1968 (Unaudited)	Six Months Ended October 24, 1969 (Unaudited)
Gain on sale of assets of certain product lines, net of Federal income tax of $116,200	$103,787	$ —	$ —
Gain on sale of Newton, Mass. property	—	—	290,000
Relocation and other costs related to sale of Newton, Mass. property (estimated)	—	—	(290,000)
Federal income tax reduction as a result of prior years' losses	562,400	83,000	267,000
	$666,187	$83,000	$267,000

(E) Earnings per share of LFE Common were computed by dividing net income and extraordinary credits by the weighted average number of shares of LFE Common outstanding during each period. The outstanding employee stock options had no material effect on the earnings-per-share data for any of the periods.

(F) No dividends have been paid or declared during the period covered by this Consolidated Statement of Operations.

Comments on LFE Earnings

The following divisional summary of Gross Contract Income and Net Sales of LFE and its subsidiaries for the five years ended April 25, 1969 and the six months ended October 24, 1969 is divided between continuing product lines, and discontinued product lines by division. The Electronics Division, which was sold on January 6, 1970, made sales of military electronics equipment and research and development services almost entirely to the United States Government. The other continuing divisions of LFE, as a group, make approximately 80% of their sales to the commercial (non-military) market. See "Business and Property of LFE".

	Fiscal Year Ended					Six Months Ended
	4/30/65	4/29/66	4/28/67	4/26/68	4/25/69	10/24/69
	(Thousands Omitted)					(Unaudited)
Gross Contract Income and Net Sales:						
From continuing product lines (primarily commercial)	$14,028	$16,236	$18,648	$20,876	$25,362	$13,273
From discontinued product lines:						
Electronics Division (Military electronics)	14,922	19,123	22,003	13,901	8,203	2,846
Keleket product line (primarily commercial)*	8,689	11,292	14,253	14,421	7,903**	—
Other product lines (primarily commercial)	2,760	3,148	3,274	3,685	2,420	—
	26,371	33,563	39,530	32,007	18,526	2,846
Totals	$40,399	$49,799	$58,178	$52,883	$43,888	$16,119

*See Note A of Notes to Consolidated Statement of Operations.

**Represents Keleket sales for the seven months ended November 29, 1968 when the business was transferred to Keleket/CGR Corporation.

The loss in 1965 resulted from the combined operations of the Trapelo and Keleket divisions operating at a substantial loss, partially offset by operating profits of LFE's other divisions.

LFE returned to a profit position in 1966 for the first time since 1962. Improvements were recorded by all divisions. Although production of Doppler navigational radar systems for the Air Force F-105 fighter-bomber was relatively small in comparison with preceding years, the sales volume of the Electronics Division was increased as the result of the manufacture and sale of other electronics systems for military aircraft, such as the Decca hyperbolic navigation system and the APN-141 radar altimeter. The commercial divisions as a group reached breakeven operations in 1966, after losses in the previous three years.

In 1967, the commercial divisions as a group produced an operating profit. This was more than offset, however, by operating losses of the Electronics Division. The losses of the Electronics Division were caused by problems encountered on certain fixed price development contracts. Approximately $2,800,000 was charged against income to provide for incurred and estimated future losses on these contracts.

In 1968 the commercial divisions as a group and the Electronics Division operated at a loss. The Keleket Division was mainly responsible for the operating loss of the commercial divisions, with losses of the Electronics Division resulting primarily from additional problems encountered on two fixed price contracts carried over from 1967. One of these contracts (a development contract) was completed prior to the close of fiscal 1968. The other contract was a production contract for which substantial reserves were provided to absorb anticipated losses in completing the contract.

During fiscal 1969 a major reorganization of the management structure and realignment of product lines were accomplished. As a result, operating overheads were reduced, several marginal product lines of both the Electronics Division and the Trapelo Division were sold, and the Keleket Division was divested through a joint venture arrangement with a French corporation. See Note (B) to Notes to Consolidated Statement of Operations and "Business and Property of LFE — Recent Changes". All continuing divisions reported an operating profit for fiscal 1969.

For the six months ended October 24, 1969, all divisions continued to report an operating profit. During the period the Gross Contract Income of the Electronics Division (military electronics) declined while non-military sales increased as a percentage of the total.

API INSTRUMENTS COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF EARNINGS

The following consolidated statement of earnings of API Instruments Company and Subsidiary has been examined by Touche Ross & Co., independent public accountants, for the three years ended December 31, 1968, and by Peat, Marwick, Mitchell & Co., independent public accountants, for the two years ended December 31, 1965. The reports of the independent public accountants appear elsewhere herein. The statements for the ten months ended October 31, 1968 and 1969 have not been audited. In the opinion of management of API, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results for such periods have been made. Results for the ten months ended October 31, 1969 are not indicative of results for the full year (see "Comments on API Earnings"). This statement should be read in conjunction with the financial statements and related notes thereto included elsewhere in this Proxy Statement.

	Year ended December 31,					Ten months ended October 31,	
	1964	1965	1966	1967	1968	1968 (Unaudited)	1969 (Unaudited)
NET SALES	$5,812,783	$6,942,031	$8,442,131	$9,169,990	$9,367,294	$7,712,546	$9,239,822
COSTS AND EXPENSES:							
Cost of products sold, exclusive of depreciation, amortization and taxes	$3,739,064	$4,587,737	$5,681,391	$6,421,801	$6,664,902	$5,559,303	$6,291,274
Selling, administrative and general expenses	1,035,241	1,093,584	1,312,185	1,471,861	1,527,668	1,237,284	1,578,729
Depreciation	143,293	152,232	175,309	194,337	184,982	154,575	192,114
Taxes, other than federal taxes on income	158,015	179,443	257,922	283,925	291,522	242,982	296,177
Provision for uncollectible receivables	5,185	56,922	28,797	38,375	37,000	30,800	39,000
Interest expense (including amortization of debenture expense)	75,670	70,420	69,870	84,670	64,220	54,126	55,431
	$5,156,468	$6,140,338	$7,525,474	$8,494,969	$8,770,294	$7,279,070	$8,452,725
Interest and other income	31,029	41,505	11,296	—	—	—	—
	$5,125,439	$6,098,833	$7,514,178	$8,494,969	$8,770,294	$7,279,070	$8,452,725
EARNINGS BEFORE FEDERAL INCOME TAX AND EXTRAORDINARY CREDIT	$ 687,344	$ 843,198	$ 927,953	$ 675,021	$ 597,000	$ 433,476	$ 787,097
Federal Income Tax Provision	335,100	404,000	432,200	302,700	296,000	222,000	392,500
EARNINGS BEFORE EXTRAORDINARY CREDIT	$ 352,244	$ 439,198	$ 495,753	$ 372,321	$ 301,000	$ 211,476	$ 394,597
EXTRAORDINARY CREDIT, less applicable Federal Income Tax of $44,000 (Note 2)	—	—	—	—	—	—	43,500
NET EARNINGS	$ 352,244	$ 439,198	$ 495,753	$ 372,321	$ 301,000	$ 211,476	$ 438,097
EARNINGS PER SHARE OF COMMON STOCK (Note 3):							
Earnings before Extraordinary Credit	$.71	$.88	$.99	$.73	$.57	$.40	$.74
Extraordinary Credit	—	—	—	—	—	—	.08
NET EARNINGS	$.71	$.88	$.99	$.73	$.57	$.40	$.82
EARNINGS PER SHARE OF COMMON STOCK — ASSUMING FULL DILUTION (Note 3):							
Earnings before Extraordinary credit	$.67	$.82	$.91	$.70	$.56	$.40	$.71
Extraordinary credit	—	—	—	—	—	—	.07
NET EARNINGS	$.67	$.82	$.91	$.70	$.56	$.40	$.78
CASH DIVIDENDS PER SHARE OF COMMON STOCK	$.30	$.35	$.40	$.40	$.20	$.20	$.10

API INSTRUMENTS COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED STATEMENT OF EARNINGS

1. *Investment Tax Credits*

Federal taxes charged to income have been reduced by investment tax credits as follows:

Year ended December 31	
1964	$ 4,900
1965	6,412
1966	3,590
1967	12,083
1968	3,840
Ten months ended October 31 (Unaudited)	
1968	3,065
1969	8,500

2. *Extraordinary Credit*

During the ten months ended October 31, 1969, API sold a product line for $97,500. Sales of the product had been minimal; the costs of developing the line were charged to expense when incurred.

3. *Earnings Per Share*

Earnings per share are based on the weighted average number of shares of API Common outstanding during the periods. The impact of employee stock options outstanding has not been considered as the effect would not be material.

Fully diluted earnings per share are based on the weighted average number of shares of API Common outstanding during the periods (excluding API Debentures converted), plus the number of shares of API Common that would be issued assuming conversion of all outstanding API Debentures at the beginning of the periods and exercise of outstanding employee stock options at the end of the periods.

Comments on API Earnings

Both sales and earnings of API set new records in each of the first three years presented: 1964, 1965, and 1966. In 1964 a program was initiated to offer standard products for "off-the-shelf" delivery. This portion of the business now represents over 25% of the total sales. Another significant trend has been the growth in the controls segment of the business from a small percentage of the business in 1964 to 52% of total sales in the ten-month period ended October 31, 1969.

In 1967, API's sales and growth were much slower than had been expected. As a result profits declined because of the higher level of expenses and inventory write-downs for obsolescence caused by the development and availability of technologically superior electronic components.

Sales to nearly all major customers were lower than normal in 1968. Profits were disproportionately affected as a result of higher manufacturing costs. Also, expenditures were continued for several long-range programs such as the Industrial Engineering Standards Project and the Corporate Long-Range Planning Program.

Sales during the ten-month period ended October 31, 1969 were 120% of those for the comparable period of 1968; however, in November and December, 1969 sales fell to 105% of the corresponding months in 1968. Operations for these two months combined are estimated to show an aggregate minimal profit or a loss.

LFE CORPORATION, API INSTRUMENTS COMPANY
PRO FORMA COMBINED SUMMARY OF OPERATIONS — (Unaudited)

The following pro forma combined summary of operations has been prepared from the separate statements of operations of LFE and subsidiaries for the five fiscal years ended April 25, 1969 and the separate statements of operations of API and subsidiary for the five years ended December 31, 1968. The amounts shown for the six-month periods combine amounts for LFE for the six-month periods ended October 25, 1968 and October 24, 1969 with amounts for API for the six-month periods ended October 31, 1968 and 1969. Accordingly, API's net income for the four-month period January through April which amounted to $95,000 in 1968 and $160,000 in 1969 is excluded from the compilation. This pro forma statement should be read in conjunction with the separate financial statements of the respective companies and the related notes thereto, included elsewhere in this Proxy Statement.

	Fiscal Years Ended April					Six Months Ended October	
	1965	1966	1967	1968	1969	1968	1969
Gross Income and Net Sales Continuing Product Lines							
LFE	$14,027,000	$16,236,000	$18,649,000	$20,876,000	$25,362,000	$11,785,000	$13,273,000
API	5,813,000	6,942,000	8,442,000	9,170,000	9,367,000	4,571,000	5,685,000
	19,840,000	23,178,000	27,091,000	30,046,000	34,729,000	16,356,000	18,958,000
LFE — Product Lines Discontinued	26,372,000	33,563,000	39,529,000	32,007,000	$18,526,000	$12,345,000	2,846,000
	$46,212,000	$56,741,000	$66,620,000	$62,053,000	$53,255,000	$28,701,000	$21,804,000
Net Income (Loss) Before Federal Income Tax and Extraordinary Credits							
LFE	$ (700,000)	$ 640,000	$(1,324,000)	$(4,812,000)	$ 911,000	$ 171,000	$ 519,000
API	687,000	843,000	928,000	675,000	597,000	236,000	479,000
	(13,000)	1,483,000	(396,000)	(4,137,000)	1,508,000	407,000	998,000
Provision (Credit) for Federal Income Tax							
LFE	(239,000)	299,000	(252,000)	—	446,000	83,000	267,000
API	335,000	404,000	432,000	303,000	296,000	120,000	245,000
	96,000	703,000	180,000	303,000	742,000	203,000	512,000
Net Income (Loss) Before Extraordinary Credits							
LFE	(461,000)	341,000	(1,072,000)	(4,812,000)	465,000	88,000	252,000
API	352,000	439,000	496,000	372,000	301,000	116,000	234,000
	(109,000)	780,000	(576,000)	(4,440,000)	766,000	204,000	486,000
Extraordinary Credits							
LFE	—	—	—	—	666,000	83,000	267,000
API	—	—	—	—	—	—	44,000
	—	—	—	—	666,000	83,000	311,000
Net Income (Loss)							
LFE	(461,000)	341,000	(1,072,000)	(4,812,000)	1,131,000	171,000	519,000
API	352,000	439,000	496,000	372,000	301,000	116,000	278,000
	$ (109,000)	$ 780,000	$ (576,000)	$(4,440,000)	$ 1,432,000	$ 287,000	$ 797,000
Net Income (Loss) Applicable to Common Stock	$ (183,000)	$ 705,000	$ (651,000)	$(4,517,000)	$ 1,353,000	$ 247,000	$ 757,000
Earnings per share of Common Stock:							
Income (loss) before extraordinary credits	$(.10)	$.39	$(.36)	$(2.49)	$.37	$.09	$.24
Extraordinary credits	—	—	—	—	.36	.05	.17
Net Income (Loss)	$(.10)	$.39	$(.36)	$(2.49)	$.73	$.14	$.41

NOTE: Earnings per share of Common Stock were computed by dividing net income before extraordinary credits by the weighted average number of shares of Common Stock outstanding during each period, after recognition of the $.50 annual preferred dividend requirement, applicable to shares of LFE Preferred Stock to be issued in this pooling-of-interests Merger, of $74,000 in 1965, $75,000 in 1966, $75,000 in 1967, $77,000 in 1968, $79,000 in 1969 and $40,000 for the six months ended in October in 1968 and 1969. The number of shares issuable on conversion of the shares of LFE Preferred (considered to be the equivalent of Common Stock from the time of its issuance) are not included in the computations of primary earnings per share because inclusion would have the effect of increasing the earnings-per-share amounts and decreasing the loss-per-share amounts. The outstanding employee stock options and the assumption that the API Debentures were converted at the beginning of the periods individually and in the aggregate had no material effect on the earnings-per-share data for any of the periods.

LFE CORPORATION, API INSTRUMENTS COMPANY

PRO FORMA COMBINED BALANCE SHEET (Unaudited)
OCTOBER 24, 1969

ASSETS

	LFE	API	Adjustments (2)	Pro Forma (1) (2)
CURRENT ASSETS:				
Cash	$ 264,000	$ 43,790		$ 307,790
Accounts receivable, less allowances	8,364,000	2,226,476		10,590,476
Contracts in progress	1,443,000			1,443,000
Contract reserves	(1,513,000)			(1,513,000)
Inventories	7,826,000	2,595,264		10,421,264
Prepaid expenses	234,000	94,030		328,030
Total current assets	16,618,000	4,959,560		21,577,560
INVESTMENTS	1,551,000			1,551,000
PROPERTY, PLANT AND EQUIPMENT, NET	7,760,000	1,454,744		9,214,744
OTHER ASSETS	413,000	20,991		433,991
	$26,342,000	$6,435,295		$32,777,295

LIABILITIES AND STOCKHOLDERS' INVESTMENT

CURRENT LIABILITIES:				
Bank loans and current instalments of long-term debt	$ 5,082,000	$ 500,000		$ 5,582,000
Accounts payable	2,153,000	724,335		2,877,335
Accrued liabilities	2,593,000	501,191		3,094,191
Federal income taxes	965,000	110,388		1,075,388
Total current liabilities	10,793,000	1,835,914		12,628,914
LONG-TERM DEBT	3,266,000	612,000		3,878,000
STOCKHOLDERS' INVESTMENT:				
Common stock	1,315,000	543,425	$ (6,934)	1,851,491
Preferred stock			1,609,470	1,609,470
Premium on common stock	17,018,000	1,251,576	(1,641,543)	16,628,033
Retained earnings (deficit)	(6,050,000)	2,231,387		(3,818,613)
	12,283,000	4,026,388		16,270,381
Less common stock held in treasury	—	39,007	39,007	—
	12,283,000	3,987,381		16,270,381
	$26,342,000	$6,435,295		$32,777,295

(1) The pro forma Combined Balance Sheet combines the balance sheets of LFE as of October 24, 1969 and API as of October 31, 1969 giving effect to the proposed Merger on a pooling-of-interests basis. The pro forma adjustments give effect to the proposed issuance of 536,491 shares of LFE Common (after cancellation of API treasury stock), and 160,947 shares of LFE Preferred (entitled in liquidation to $14 a share or $2,253,000), in exchange for 536,491 shares of API Common. See "Description of Capital Stock of LFE — LFE Series Preferred Stock" for further information about the LFE Preferred.

(2) No effect has been given to expenses incurred in connection with the Merger which will be charged to Premium on Common Stock.

This Pro Forma Combined Balance Sheet should be read in conjunction with the financial statements and related notes of both companies and the Pro Forma Combined Summary of Operations appearing elsewhere in this Proxy Statement.

BUSINESS AND PROPERTY OF LFE

History

LFE was incorporated in 1946 in the State of Delaware under the name "Laboratory For Electronics, Inc." Its name was changed to LFE Corporation on November 3, 1969. Its principal office is located in Waltham, Massachusetts.

From the date of its founding in 1946 until 1961, substantially all of LFE's business was in the development and production of electronic equipment for military aviation and other defense uses, which after 1961 was carried on by the Electronics Division. In 1961 LFE diversified its activities by acquiring Eastern Industries, Inc., whose business is now carried on by two divisions of LFE, the Automatic Signal Division which manufactures automobile traffic control systems for states, cities, counties and towns, and the Eastern Industries Division which manufactures precision pumps, heat transfer and hydraulic equipment for military and commercial uses. In that year it also acquired Tracerlab, Inc.

Several of the Tracerlab product lines have been sold, as described below, and the division has since been renamed the "Trapelo Division." The product lines of the Trapelo Division that have been retained by LFE are primarily in the field of nuclear physics and chemistry ("nucleonics") as applied to instruments and equipment for industrial process controls, radiation monitoring of nuclear reactor installations, and analytical radiochemical services primarily performed for the government. By virtue of the Tracerlab acquisition LFE also succeeded to the ownership of the Keleket X-Ray Corporation, later the Keleket Division of LFE, a manufacturer and distributor of medical X-ray equipment and supplies, which in November, 1968 was disposed of as described below.

Continuing divisions, as a group, presently make approximately 80% of their sales to the commercial market and 20% to the United States Government, substantially all of which is for military purposes.

Recent Changes

On November 29, 1968 the business of the Keleket Division was transferred to a new joint venture corporation called Keleket/CGR Corporation. LFE contributed the business and certain assets and liabilities of its Keleket Division in return for 45% of the voting stock of Keleket/CGR Corporation. Fifty-five per cent of the common stock was purchased by Compagnie Generale de Radiologie (CGR), a medical X-ray company with its principal business in France. The net book value of the assets transferred to Keleket/CGR Corporation amounted to $262,500. Keleket/CGR Corporation sells a basic line of medical X-ray equipment manufactured by LFE, a complementary line of specialized medical X-ray equipment manufactured by CGR, and has assumed LFE's resale business in medical X-ray supplies and accessories. The Keleket Division had annual sales of approximately $14.4 million in fiscal 1968 before it was transferred by LFE. The Trapelo Division of LFE continues to manufacture a basic line of equipment for resale by Keleket/CGR Corporation having an annual volume of approximately $1,200,000, so that LFE's sales were reduced by approximately $13 million annually by the establishment of the joint venture. The Keleket Division of LFE operated at a loss in each of the five years preceding its transfer to Keleket/CGR Corporation.

During fiscal 1969 LFE also sold its Microwave Instrument Product Line, its Commercial Products Operation, which primarily manufactured sonic delay lines, and its Thin Magnetic Film Development Group, for cash aggregating approximately $471,000. At the time they were sold these operations were part of the Electronics Division and had a combined annual sales volume of approximately $1 million. The remaining product lines of the Electronics Division were sold to Epsco, Incorporated, on January 6, 1970, at the net book value of the related assets, payable in shares of Epsco common stock valued for this purpose at $7.50 per share, which resulted in the issuance to LFE of 64,489 shares for the net current assets, and will result in the issuance to LFE of approximately 10,000 additional shares for machinery and equipment. Also, LFE is to receive cash royalties at the rate of

2% of annual sales in excess of $2,000,000 of the transferred product lines, including instrument landing equipment, in the four calendar years 1970 to 1973, inclusive, and, in addition, at the rate of 2% of all sales of instrument landing equipment only for the calendar year 1974. Epsco common stock is traded in the over-the-counter market, and during the period January 1, 1969 to February 4, 1970 ranged from a high bid price of $21 to a low bid price of $5. On February 4, 1970, the closing bid and asked prices per share of Epsco common stock in the over-the-counter market were $5 and $6, respectively. The annual sales volume of this division had declined over the past two fiscal years, and sales for the six months ended October 24, 1969 for the remaining product lines were approximately $2.9 million as compared with $8.2 million for the prior fiscal year.

On February 3, 1969 LFE sold certain product lines of its Tracerlab Division to International Chemical & Nuclear Corporation. See Note 4 to the LFE Financial Statements. The product lines sold were the Laboratory Nuclear Instruments, Nuclear Detectors and the Technical Products Division. Also included in the sale was all of the capital stock of two foreign subsidiaries of the Tracerlab Division, Tracerlab, S.A., Belgium and Tracerlab (Great Britain) Ltd., England. The product lines and foreign subsidiaries that were sold had a combined sales volume of approximately $3 million annually.

Thus, since November, 1968 LFE has disposed of operations which previously had contributed to sales at the rate of approximately $25,000,000 annually. Actual sales of these discontinued operations during the fiscal year 1969, for the periods prior to disposition, were approximately $18.5 million. See the LFE Consolidated Statement of Operations and the following "Comments on Earnings."

In January, 1970, LFE acquired all of the outstanding stock of Midland Products Company, Franklin Lakes, New Jersey, and of an affiliated sales company, Mid-Mar Limited, Brampton, Ontario. Midland Products Company manufactures a line of 1½ to 10 inch diaphragm and centrifugal dewatering pumps primarly used in the construction industry and industrial markets. LFE issued 16,000 shares of LFE Common in this transaction, and may be required to issue additional shares of LFE Common, not to exceed a total of 7,000 shares, during the fiscal years 1971 and 1972. The number of additional shares, if any, is based on achieving specified levels of profitable sales. At the date of acquisition, the estimated fair market value of the net assets received by LFE, exclusive of good will, was approximately zero, and the closing price per share of LFE Common on the New York Stock Exchange was 20⅛. These companies reported combined net sales in 1968 of approximately $2,000,000 and a combined net loss of approximately $100,000. For the period from January 1, 1969 through October 18, 1969, these companies reported combined net sales of approximately $1,600,000 and a combined net loss of approximately $32,000.

Present Operations

LFE conducts its operations through three major divisions: the Trapelo, Automatic Signal, and Eastern Industries Divisions. As described above, a fourth division, the Electronics Division, was sold in January 1970.

Trapelo Division — The Trapelo Division is principally based in Waltham, Massachusetts. It makes a line of "Beta Gauges" which utilize radiation techniques for precision instrument and control of industrial processes. The Beta Gauge equipment is used principally in the paper, rubber, plastic, film and metal sheetforming industries. The Division also provides services and equipment for monitoring radiation for safety and control in connection with the operation of atomic reactors and other nuclear applications. The Division manufactures a line of low pressure, plasma-generating equipment for industrial processes and analytical purposes. At its Richmond, California Operations, the Division provides technical services for the Government primarily involving analysis of radioactive particles and gases in the environment. Substantially all of the Trapelo Division's activities having to do with radioactive materials are subject to the control of the Atomic Energy Commission. As described above, the Trapelo Division also manufactures a basic line of medical X-ray equipment for resale by the Keleket/CGR Corporation, an affiliate of LFE.

Automatic Signal Division — The Automatic Signal Division is based in Norwalk, Connecticut and has additional operations in Torrance, California, Canada and Italy. The Automatic Signal Division produces vehicle-actuated traffic control computers and systems which regulate the traffic lights at intersections in accordance with traffic information picked up by vehicle detectors situated in or above the roadway. The Automatic Signal Division also manufactures radar speed meters and sells pedestrian and automobile signal lights and poles. The vehicle-actuated traffic control computers and associated equipment are sold to purchasers throughout the world, most of which are municipalities, states and other governmental institutions.

Eastern Industries Division — The Eastern Industries Division is based in Hamden, Connecticut. It produces a variety of pumps, hydraulic motors, servo valves and actuators, flow dividers, blowers, heat exchangers, and similar equipment, mostly of small size and precision quality, which are generally designed to meet extreme environmental conditions. These products are incorporated in a number of devices produced and sold by the Division which are used to pressurize, cool and refrigerate compact electronic equipment. In addition, the products are sold separately or in combination to other manufacturers for use in engines, turbines and control equipment for the oil, chemical, electronic, ship, aircraft, photographic, pharmaceutical and a variety of other industries. The Division also manufactures a complete line of mixing and stirring equipment from laboratory sizes to large industrial units.

Electronics Division — The Electronics Division, which was sold in January 1970 was based in Waltham, Massachusetts and developed and made electronics equipment almost entirely for military or Government purposes. Although the Division had large production contracts in past years, its production contracts diminished in the year of sale, so that approximately one-half of its business in the six months ended October 24, 1969, had been in the development and design of new equipment. The products of the Electronics Division were in two principal categories: navigation systems and avionics components.

Backlog

On October 24, 1969, LFE's total backlog on continuing businesses was approximately $12,500,000 (about 80% commercial and 20% United States Government, primarily military), as compared with approximately $11,700,000 at October 25, 1968.

Government Contracts

LFE's Government contracts and subcontracts contain the standard Government contract clause providing for termination for the convenience of the Government, or the prime contractor, as the case may be, and are subject to the Renegotiation Act of 1951, as amended. LFE's Renegotiation Reports for the fiscal year ended April 26, 1968 and all prior years have been reviewed and no refund has been required. No refund is expected to be required for the fiscal year ended April 25, 1969. The purchaser of the Electronics Division has succeeded to the contracts and backlog pertaining to that Division.

Competition

The Automatic Signal Division, a major manufacturer of the vehicle-actuated type traffic signal control equipment, has competition from several other companies in this field. In the field of general purpose pump and hydraulic equipment, competition is severe and the Eastern Industries Division's sales do not constitute a large factor in this field, although some of its products have been designed and developed for specific purposes for which equivalent products are not available from others.

The business of the Trapelo Division — manufacturing and supplying instrumentation for industrial process control, radiation monitoring and plasma generating equipment — is highly competitive and there are many companies, both larger and smaller than LFE, which are engaged in one or more aspects of this business.

Research and Development

In addition to its research and development work under defense contracts, LFE maintains a program of company-sponsored research and development, both to maintain scientific and technical competence in its field and to develop new products. In addition to approximately $1.9 million of government-funded research and development work, largely in the Electronics Division, LFE's expenditures on company-sponsored research and development projects were about $900,000 in the fiscal year ended April 25, 1969 for a total expenditure of $2.8 million.

LFE research and development currently includes projects relating to microminiature circuitry and improved and new products, techniques and applications in the industrial process control instrumentation and vehicle-actuated traffic control fields.

Patents and Licenses

LFE is not aware of any patents held by others which might materially affect its business as a whole. LFE's policy is to seek patent protection for its new developments wherever practicable; when taken as a whole its patents and patent rights are considered to be of some value but LFE's business does not depend to any material extent on the exploitation of patents.

LFE has granted certain licenses on a royalty basis under its patents, but the income from these royalties is not significant in amount. LFE also is a licensee under patents owned by others.

Personnel

Of LFE's approximately 1,370 employees, there are 306 in the Trapelo Division, 564 in the Automatic Signal Division, and 339 in the Eastern Industries Division. The corporate and service operations have 155 employees. LFE has enjoyed good relations with its employees and has suffered no work stoppage or strikes due to labor difficulties. Of its employees, only seven are covered by a union contract.

Property

LFE's headquarters and the Trapelo Division occupy 128,000 square feet in a modern facility in Waltham, Massachusetts built in 1957, owned by LFE, and located on 20 acres of land on which is also located a 60,000 square foot plant purchased by LFE in 1966 and now leased to the purchaser of the Electronics Division. LFE owns an adjoining 22 acres which is zoned for residential use.

The Trapelo Division also has an 11,000 square foot facility in Richmond, California, adjacent to a 24,000 square foot leased facility.

The Eastern Industries Division occupies a modern 110,000 square foot building on 25 acres of land in Hamden, Connecticut, owned by LFE. The original building was built in 1954, substantially expanded in 1959, and doubled in size by a 55,000 square foot addition completed in September, 1969.

The Automatic Signal Division occupies a modern 56,000 square foot building at East Norwalk, Connecticut, and an 18,000 square foot building on 10 acres of land in Torrance, California, both of which it owns, and through a subsidiary leases a 12,000 square foot building in Rome, Italy.

LFE also owns a manufacturing facility in a modern 64,000 squa- - foot building located on 114 acres of land in Danvers, Massachusetts, adjacent to the Beverly Airport, formerly occupied by the Electronics Division. This facility has been vacant since October, 1969, but is being occupied by the Automatic Signal Division to accommodate expanded work load. Any space not required by LFE will be leased.

With the exception of the Danvers, Massachusetts plant, the manufacturing space at all locations is fully utilized on a one shift basis. At certain of the locations limited second shift operations are being conducted.

BUSINESS AND PROPERTY OF API

History

API Instruments Company ("API") was incorporated under the laws of the State of Ohio on May 8, 1945, as Assembly Products, Inc. The present name was adopted on January 11, 1965.

API's two manufacturing plants and its executive offices are located in Chesterland, Ohio, approximately twenty miles east of Cleveland.

Description of Business

API is a manufacturer of electronic and electro-mechanical devices and systems used for measurement, display and control in industrial processes and research activities. Its principal products are controls, meter relays, panel meters and digital products. These products are sold both for incorporation in original equipment that is to be resold and for end-use by the customer.

Products

Controls — API's largest product group consists of process controllers, which accounted for approximately 46% of net sales in 1968 and 52% for the first ten months of 1969.

Controls developed in the past three years are all solid state, are compact, have common circuitry, are adaptable to different applications by use of electronic circuit cards, and can be used with power packages furnished by API. The principal present use of these controls is in temperature control systems for plastic molding, textile manufacturing, packaging, hydro-carbon processing and semi-conductor manufacturing. A recent use of these controls is in film processing.

Controls built around meter relays account for a substantial portion of control sales. These controls are basically electro-mechanical, but include prepackaged circuitry. These controls indicate on a dial even very small electrical signals, and initiate control action at a predetermined signal level or set point. These controls are used particularly when an unamplified signal is required.

A recent control development involving a meter relay is essentially electronic and uses an amplified signal. It is more sensitive, accurate, reliable and faster in operation.

Meter Relays — Meter relays have been a principal product of API for many years and in 1968 accounted for approximately 26%, and in ten months of 1969 approximately 22%, of net sales.

These meter relays are activated by electrical current or voltage, indicate an electric signal on a dial, and initiate control action at a predetermined signal level. Two types of meter relays are produced: those requiring a physical touching of two electrical contacts and those activated by solid state components not dependent on actual contact.

Both types are used by large manufacturers, research laboratories and defense installations, among others, to monitor and control radiation at nuclear power plants, to inspect production of semi-conductors, and as a component in microwave equipment, computers, oil pumping stations, and commercial aircraft navigational and landing systems.

Panel Meters — Panel meters accounted for approximately 28% in 1968 and in ten months of 1969 approximately 26%, of net sales. These meters measure electrical current or voltage and show visually every variable which can be measured electrically to within a tolerance of 1% of the full scale. A new line of panel meters developed in 1969 permits replacement of scales and has been restyled to permit ease of mounting and better readability.

Digital Products — Instruments which display a signal in digits rather than by a pointer on a scale have been marketed by API for about two years. Digital display of the signal eliminates most of the error in reading a dial setting and is widely accepted in the data processing equipment and medical instrumentation fields. Sales of digital products have been reported as a part of the sales of the other product groups.

Research and Development Engineering

In 1968 API expended approximately $480,000 for research and development engineering, or about 5.2% of sales, and in ten months of 1969 expended approximately $500,000, or 5.5% of sales.

Among the specific projects developed or under development are:

Controls — A line of solid-state temperature controllers has been developed, ranging from low-cost models designed for relatively simple applications to more sophisticated models that can be adjusted to meet a broad range of situations. In addition, most of the present controllers are being redesigned. Power packs which modulate current to heating loads as directed by controllers were marketed recently.

Integrated Circuit Meter-Relay Controls — The performance of these recently marketed solid state instruments is an improvement over the performance of the sensing and set point mechanisms of conventional meter-relays. This line is being broadened to indicate and control almost any variable that can be converted to an electric signal.

Redesigned Panel Meters — All-new meters recently have been marketed, having removable scales, optional mounting methods and new styling. Development on the mechanisms of these meters is continuing.

Digital Products — In addition to the digital panel meters, comparators and displays already in production, API is developing more accurate digital panel meters, scanners and clocks for use in digital data acquisition systems.

Customers and Sales

During 1968 and 1969, API's products were sold to approximately 5,000 different customers. The largest accounted for about 5% of 1968 sales and less than 4% of 1969 sales. API's products are sold to original equipment accounts as well as to end users for installation in their own production equipment. API estimates that more than 95% of both its 1968 and 1969 sales were made to commercial and industrial users and less than 5% to defense contractors. Approximately 15% of API's products are manufactured exclusively to customers' specifications; approximately 25% are standard stock items; and approximately 60% are basically catalogue items which have been modified to meet customers' requirements. For the most part, orders received by API are filled in 4 to 7 weeks after receipt.

API maintains a sales organization at its executive offices, has sales engineers in 9 major metropolitan areas throughout the United States, and in addition utilizes the services of manufacturer's representatives. It carries on an extensive advertising program, including national advertising, publicity in trade journals and direct mail. During 1968, API spent approximately $120,000, or 1.3% of sales, on advertising.

API displays its products at various trade shows. In 1969 it had exhibits at the Western Electronic Conference, the Institute of Electrical and Electronic Engineers, the Instrument Society

of America, the New England Radio Engineering Meeting, the National Electronic Conference, the Cleveland Electronics Conference, the National Packaging Show and the Metals Show.

API obtained orders for more than $9,700,000 of its products during the first 10 months of 1969 and at October 31, 1969, had a backlog of unfilled orders of approximately $2,250,000 as compared with approximately $2,000,000 on December 31, 1968.

Raw Materials

Raw materials for API's products, primarily electronic components, are purchased from a variety of suppliers. API is not completely dependent upon any one source of supply for any of the materials used in the manufacture of its products.

Patents

API holds patents covering several of its products and unique parts or circuits of some of the devices manufactured by it. It also has pending applications for other patents. Although such patents and applications are important and useful in the conduct of its business, API believes that no one patent is of material significance to its operations.

Competition

API's business is highly competitive and several companies which manufacture and sell products similar to those manufactured and sold by API have substantially greater financial resources. API is a leading manufacturer of meter-relays, although other manufacturers make products involving different methods or systems to accomplish approximately the same end result.

Employee Relations

On October 31, 1969, API had 761 employees, none of whom is represented by a union. API has enjoyed harmonious relations with its employees and has never experienced a work stoppage.

Property

API owns and occupies two parcels of land located in Chesterland, Ohio. The first parcel consists of approximately 16 acres of land located on Wilson Mills Road. This parcel is improved with 52,000 square feet of cement block plant buildings, air conditioned and protected by a fire sprinkler system supplied from a 150,000 gallon water tower, and a 2,000 square foot office building of brick construction.

The second parcel consists of approximately 63 acres of land located on Chillicothe and Mulberry Roads on which a concrete block and brick plant building has been constructed which contains approximately 43,000 square feet. This building, which also contains the executive offices of API, is air conditioned and sprinklered.

Adequate parking is available at both plants.

At the present time, the manufacturing facilities at both plants are utilized at approximately 95% of capacity during one shift and, on occasion, such facilities are partially utilized on other shifts.

The principal machinery and equipment of API consists of general shop equipment, lathes, drills, presses, forming machinery, calibration, environment and general testing equipment, and various types of special electronic equipment for the manufacture of its products.

API rents computer equipment, certain storage and office equipment, automobiles for the use of its sales personnel and several regional sales offices. The total rental amounted to $113,416 for the year 1968, and $111,789 for the first 10 months of 1969.

All property, machinery and equipment now in use are considered by API to be well maintained and in good operating condition, and none is encumbered.

INFORMATION CONCERNING DIRECTORS AND OFFICERS

LFE Board After the Merger

The following table sets forth, with respect to each of the present directors of LFE and each of the directors of API who, pursuant to the Merger Agreement, will become a director of LFE upon consummation of the Merger, (i) his principal occupation or employment, (ii) the number of shares of LFE Common and API Common which he (as well as all officers and directors of LFE and API, respectively, as a group) beneficially owned (directly or indirectly) on the date indicated, (iii) the number of shares of LFE Common and LFE Preferred to be beneficially owned upon consummation of the Merger, and (iv) the year in which he first served as a director of LFE or API. This information has been obtained in part from the named individuals and in part from LFE's and API's records. Reference is made to Exhibit C to Appendix I hereto for a complete list of the proposed officers of LFE upon consummation of the Merger. All Directors of LFE upon consummation of the Merger will serve, in accordance with the By-Laws of LFE, for the balance of their respective terms, as indicated below.

Name and Principal Occupation or Employment	Year First Became Director	Shares of LFE Common Beneficially owned at Dec. 22, 1969(2)	Shares of API Common Beneficially owned at Dec. 22, 1969	Shares of LFE Stock to be Beneficially owned after the Merger becomes effective(2)
Directors Whose Terms of Office Expire in 1970:				
Henry W. Harding, Consultant to LFE, formerly Chairman of the Board of Directors and President of LFE	1956	49,559	—0—	no change
Herbert Roth, Jr., President and Chief Executive Officer of LFE	1968	2,380	—0—	no change
George J. Schwartz, Senior Vice President of LFE	1962	100	—0—	no change
John D. Saint-Amour, President of API	1956(1)	—0—	23,859(3)	23,859 LFE Common(3) 7,157 LFE Preferred
Directors Whose Terms of Office Expire in 1971:				
Emmons Bryant, Investment Banker; Vice Chairman of the Board, Blair & Co., Inc.	1961	100	—0—	no change
Robert E. Peach, Chairman of the Board, Mohawk Airlines Inc.	1962	100	—0—	no change
Louis B. Warren, Lawyer; Partner, Kelley Drye Warren Clark Carr & Ellis, New York	1946	—0—	—0—	no change
David T. Morgenthaler, Private Investor, Chairman of the Board of API	1964(1)	—0—	4,741(4)	4,741 LFE Common(4) 1,423 LFE Preferred

Name and Principal Occupation or Employment	Year First Became Director	Shares of LFE Common Beneficially owned at Dec. 22, 1969(2)	Shares of API Common Beneficially owned at Dec. 22, 1969	Shares of LFE Stock to be Beneficially owned after the Merger becomes effective(2)
Directors Whose Terms of Office Expire in 1972:				
Coleman Burke, Lawyer, Partner, Burke & Burke, New York	1956	3,000	—0—	no change
C. W. Halligan, Communications Engineer, Charles T. Main Co., Boston, Consulting Engineers. Formerly President of MITRE Corporation, provider of planning, development, and system engineering services to various agencies of the U. S. Government	1968	100	—0—	no change
V. E. Johnson, President and Chairman of the Board, Mohawk Data Sciences Corp., manufacturer of electronic data processing equipment	1968	10,000	—0—	no change

(1) Refers to the year in which such person first became a director of API.

(2) In addition, the wives and children of certain LFE directors owned an aggregate of 2,270 shares of LFE Common, as to which beneficial ownership is disclaimed by such directors. None of such directors beneficially owned any securities of any of LFE's subsidiaries.

(3) Does not include 9,660 shares of API Common (which will be changed in the Merger into 9,660 shares of LFE Common and 2,898 shares of LFE Preferred) registered in the names of his wife and minor children, as to which Mr. Saint-Amour disclaims any beneficial interest.

(4) Does not include $94,000 principal amount of API Debentures which, after the Merger, will be convertible into 6,984 shares of LFE Common and 2,095 shares of LFE Preferred. Also, does not include $5,000 principal amount of API Debentures and 125 shares of API Common registered in the name of Mr. Morgenthaler's children or in the name of his wife as Guardian, as to which he disclaims any beneficial interest.

Except for Messrs. Morgenthaler and Saint-Amour, each such person is an incumbent director of LFE and was elected by the stockholders of LFE on September 11, 1969. Mr. Morgenthaler, has served as Chairman of the Board of Directors of API since February, 1968. For over five years prior to such time, Mr. Morgenthaler was President of Foseco, Inc., a manufacturer of metallurgical chemicals. Since such date, Mr. Morgenthaler has been a private investor. Mr. Saint-Amour has been the President of API for over five years.

Upon the Merger Date, John D. Saint-Amour will be elected a Group Vice President of LFE. No other changes in the officers of LFE are contemplated.

Remuneration of Directors and Officers of LFE and API

The following table sets forth, with respect to the most recent fiscal years of LFE and API, the remuneration and estimated retirement benefits to the three highest-paid officers and all directors who

received $30,000 a year or more from either of such companies and to all their respective officers and directors as a group.

Name of Individual or Identity of Group	Capacities in which Remuneration Received	Aggregate Direct Remuneration	Bonus	Estimated Annual Benefits upon Retirement
LFE Officers and Directors				
Herbert Roth, Jr.	President and Chief Executive Officer	$ 60,000	$11,900(1)	$ 678(2)
George J. Schwartz	Senior Vice President and Director	40,000	7,600(1)	450(2)
Alfred M. Kerzner	Group Vice President	39,859	7,600(1)	788(2)
Henry W. Harding	Chairman of the Board, Director and Consultant to the Company	34,083(3)		505(2)
All Directors and officers of LFE as a group (21 persons including those named above)		455,438.94	54,500(1)	5,546(2)
API Officers and Directors				
John D. Saint-Amour	President	34,000(4)	7,465(4)	8,872(5)
Robert H. Pugsley	Vice President — Sales	25,500(4)	5,167(4)	5,950(5)
All Directors and officers of API as a group (11 persons including those named above)		148,105(4)	22,979(4)	25,204(5)

(1) Bonus payments were awarded by the Board of Directors on June 13, 1969 and are payable in two equal installments on September 30, 1969 and March 31, 1970, respectively.

(2) Estimated benefits under LFE's Retirement Plan at normal retirement age. In addition, see information below under "Profit Sharing and Other Remuneration Plans".

(3) Mr. Harding received an annual salary of $65,000 as Chairman of the Board until October 1, 1968 and for the remainder of the year received an annual salary of $12,000 as a director and consultant.

(4) The API Cash Distribution Profit Sharing Plan, as amended, applies to key employees and executives. The bonus fund is fixed by the Board of Directors as a percentage of API's net income before Federal income taxes (less any net gain from the sale of capital assets and income from securities and other investments if the Board so determines). In 1968 the fund was 7.77% of net income before Federal income taxes which was distributed 47.5% to Keymen and 52.5% to Executives.

(5) In 1959, API established a future service, contributory retirement pension trust, for those employees with three or more years of service who desire to make the contribution. The employee contributes 2 per cent and API 4 per cent of the employee's annual base pay. These contributions are used to purchase life insurance for each participant providing monthly benefits commencing at age 65 for 10 years certain or for life.

There will be no increases in remuneration to be received by the officers and directors of LFE (including Messrs. Saint-Amour and Morgenthaler) as a result of the Merger.

PROFIT-SHARING AND OTHER REMUNERATION PLANS

LFE Retirement Plan and LFE Profit-Sharing Plan

LFE has continued in effect a non-contributory pension plan originally established by Eastern Industries, Incorporated, under which retirement and death benefits are payable to participating employees of the Eastern Industries and Automatic Signal Divisions. In addition, LFE established a voluntary, contributory retirement and profit-sharing program effective as of the beginning of fiscal 1967, for which the officers and the corporate staff of LFE and employees of the Trapelo Division (and all employees of the Eastern Industries and Automatic Signal Divisions hired after April 1, 1966) are eligible. Each of the employees enrolled in this plan contributes $2.00 per week. LFE makes contributions based upon an actuarial computation so that upon retirement at the age of 65 each such employee will receive monthly benefits equal to $2.50 for each full year of participation in this Retirement Plan. The combined contributions of all employees of LFE as a group and of LFE have averaged $99,371 in the last three fiscal years during which the Retirement Plan has been in effect. Because three years of employment are required to participate in this Plan and in the Profit-Sharing Plan referred to below, no money has been set aside for Herbert Roth, Jr. and George J. Schwartz.

All employees participating in the Retirement Plan who earn in excess of $4,800 are participants in the Profit-Sharing Plan to which LFE contributes at the end of each fiscal year an amount equal to the smaller of 15% of the net profits of LFE before income taxes and other items or 9⅜% of the compensation over $4,800 of each participant. Participants' rights vest at the rate of 10% for each year of participation. The contributions are paid to the First National Bank of Boston, as Trustee, and invested in a trust fund. Messrs. Harding and Kerzner have accrued profit-sharing accounts of $2,130 and $2,404, respectively. The total accrued amount for all participating employees in this Plan is $158,657, of which $8,778 is accrued for all officers and directors of LFE as a group.

API Cash Distribution Profit-Sharing Plan

The API Cash Distribution Profit-Sharing Plan has been in effect for the past five years. This Plan is explained under "Remuneration of Directors and Officers of LFE and API", above. If the Merger becomes effective, this Plan will not be continued by LFE but API executives becoming employees of LFE will be eligible to participate in the LFE Retirement and Profit-Sharing Plans described above. The average annual amounts accrued or paid by API pursuant to the API Cash Distribution Profit-Sharing Plan during the last five years are as follows: John D. Saint-Amour, $18,641; Robert H. Pugsley, $13,505; all officers and directors as a group (including the foregoing) $51,680; and all employees as a group (including officers and directors), $83,145 (not including amounts attributable to a discontinued portion of the Plan).

API Retirement Plan

API has a future service, contributory retirement pension trust, which is described above under "Remuneration of Directors and Officers of LFE and API". If the Merger becomes effective, LFE intends to assume and carry on this Plan, but subject to LFE's right to amend or terminate such Plan. The average annual amounts, including employee contributions, set aside during the last five years under such Plan were as follows: John D. Saint-Amour, $1,656; Robert H. Pugsley, $1,245; all officers and directors as a group (including the foregoing), $5,767; and all qualifying employees as a group (including officers and directors), $93,757.

Other Plans of LFE and API

In addition to the above-mentioned Plans and the Stock Option Plans discussed below, API and LFE each have various employee benefit plans and programs which include hospitalization, life insurance, casualty insurance and disability insurance.

Stock Options of LFE

The LFE Board of Directors believes that stock ownership by key employees is a strong stimulant in attracting, developing and maintaining a strong management group of key executives and administrative employees who have the responsibility for the success of LFE. In accordance with this belief, the Board of Directors adopted, and the stockholders approved, the 1966 Stock Option Plan (the "1966 Plan") and the 1968 Stock Option Plan (the "1968 Plan"). Because there were at January 2, 1969 only 20,539 shares of LFE Common available with respect to which options could be granted under the 1966 and 1968 Plans, the Board of Directors adopted on December 22, 1969, subject to the approval of the stockholders, an amendment to the 1968 Plan adding thereto an additional 40,000 shares of LFE Common. See "Proposed Amendment to LFE 1968 Stock Option Plan".

The 1968 Plan and the 1966 Plan are each "qualified" stock option plans as defined in Section 422 of the Revenue Act of 1954, as amended. The 1968 Plan as constituted before the proposed amendment covers 50,000 shares and the 1966 Plan covers 75,000 shares of LFE Common.

Both Plans provide for the grant of qualified stock options by the Board of Directors to employees of LFE and its subsidiaries who do not own more than 5% of the total combined voting power of all classes of LFE stock. The purchase price shall not be less than the fair market value of the stock on the date the option is granted. In the event that any options granted shall terminate or expire, the shares not purchased under the options shall again be available for the purposes of the Plans.

No option can be exercised within the first year after grant or such longer period as may be specified upon grant, nor more than five years following the date of grant. Provision is made in the Plans for the progressive exercise of options over their term in installments of 33⅓%, which are cumulative. It is also provided that if a holder of an option under the 1968 Plan or any other plan is granted a further option at a lower price, the latter option shall not be exercisable while the earlier option is outstanding.

In the case of any proposed sale or conveyance of substantially all of the assets of LFE or of any proposed merger into or consolidation with another corporation, outstanding options under the 1968 Plan may be terminated on thirty days written notice. During the thirty-day notice period options may be exercised, including shares as to which the option would not otherwise be exercisable, and at the end of the notice period rights under all unexercised options cease and terminate, provided the sale, conveyance, merger or consolidation to which the notice relates has been consummated.

The Plans provide that options are not transferable except in the event of death, and that upon termination of employment (except for death) the rights to exercise options shall lapse. In the event of death, the estate or heirs of the holder may exercise options (to the extent that they were exercisable at death) within one year after the date of death, but not later than five years after the date of grant.

Payment for shares issuable upon exercise of options is to be in full in cash upon exercise, except that upon application to LFE by the holder of an option, the Board of Directors may permit payment in installments upon terms set forth in the Plans. Proceeds received for optioned shares will be used for general corporate purposes. There are provisions for appropriate adjustment of the number and kind of shares subject to the Plans, and option prices, in the event of future changes in the capital share structure.

Messrs. Burke & Burke, as counsel for LFE, have advised that under Section 422 of the 1954 Internal Revenue Code, as amended, if shares of stock are issued to an optionee under the Plans and no disposition of such shares is made by him within the three-year period beginning on the day following the date of issuance, no income subject to Federal income taxation will result to the individual upon his exercise of the option (except as such individual may be subject to a minimum tax under the Tax Reform Act of 1969), and LFE will not be entitled to a Federal income tax deduction in connection with the issuance or exercise of the option. Any gain realized by the individ-

ual on subsequent disposition of the shares will generally be taxed under the provisions of the Internal Revenue Code applicable to capital gains. With certain exceptions, should the optionee dispose of the shares within the three year period, he would realize ordinary income subject to Federal income taxation in the year of disposition equal to the difference between the option price and the market value on date of exercise or the difference between the option price and the sales price, whichever is less. LFE would, in such circumstances be entitled to a Federal income tax deduction in that year in the same amount. Should the disqualifying disposition be made at a price below the option price, the optionee would be entitled to a capital loss and LFE would not be entitled to a deduction.

The table below shows as to certain Directors and Officers and as to all Directors and Officers as a group (i) the number of shares of LFE Common covered by options granted in the period April 24, 1964 to December 31, 1969, and (ii) the number of shares subject to all unexercised options held as of December 31, 1969.

Name of Individual or Identity of Group	Options Granted Since April 24, 1964	Average Exercise Price	Shares Covered by Unexercised Options as of Dec. 17, 1969	Average Exercise Price
Herbert Roth, Jr.	25,000	$23.30	25,000	$23.30
George J. Schwartz	7,000	24.76	7,000	24.76
Alfred M. Kerzner	7,000	20.34	5,934	22.04
Henry W. Harding	10,000	11.63	10,000	11.63
All Directors and officers as a group (21 persons including those named above)	66,000	19.02	62,405	19.53
All employees	113,018	21.05	95,475	23.08

During the period April 24, 1964 through December 17, 1969 Alfred M. Kerzner exercised options for 1,066 shares at an average price of $10.87 a share with market values at the times of exercise averaging $29.22 a share. Other officers and directors as a group during this five-year period exercised options for 3,795 shares at prices ranging from $7.00 to $13.20 per share and averaging $10.42 per share with an average market value at the time of exercise of $29.54. Officers and directors did not sell any shares during the period April 24, 1964 through December 31, 1969. The closing price of the LFE Common Stock on the New York Stock Exchange on January 2, 1970, was $21 per share.

Stock Options of API

On April 10, 1964 the Board of Directors of API adopted and on April 13, 1964 the shareholders of API approved, a Qualified Stock Option Plan as defined in Section 422 of the Revenue Act of 1954, as amended, effective on January 1, 1964. 28,750 shares of Capital Stock previously released from preemptive rights for stock option purposes and not made subject to restricted stock options (now expired) were allocated for use with the Qualified Stock Option Plan by the shareholders of API. This quantity of shares is subject to adjustment by reason of any increase or decrease of the outstanding shares effected by API without receipt of consideration.

The Qualified Stock Option Plan provides for the grant of qualified stock options by the Board of Directors to executives and key employees who would not immediately after such option is granted own an amount of stock of API in excess of that permitted by Section 422 (b) (7) of the Internal Revenue Code of 1954, as amended. This amount is 5% based upon the present number of issued and outstanding shares of API. The option prices are not less than the fair market value of the stock on the date the option is granted.

An option granted under the Qualified Stock Option Plan cannot be exercised by the optionee during the eighteen month period following the option date or while the optionee is the holder of a restricted stock option at a higher price or more than five years after the date the option was granted.

The option may be exercised as to not more than 40% of the shares of API Common subject thereto within two years from the date of its grant, and as to an additional 20% of the shares of API Common subject thereto during each of the third, fourth and fifth years from the date of its grant, such installments being cumulative. Each option is exercisable only while the holder is in the employ of API, except for limited rights in the event of cessation of employment due to retirement with consent of API, or death.

Pursuant to this Plan, options were granted as follows:

Date Granted	No. of Shares	Option Price
October 1964	1,050	$ 6.94
March 1965	400	7.38
May 1965	1,000	9.50
August 1965	1,000	10.19
December 1965	520	10.88
June 1966	5,000	14.38
July 1966	250	14.50
March 1968	600	14.25
August 1968	2,000	14.00
October 1968	2,000	13.13
February 1969	500	15.06
September 1969	10,500	13.6875

The option prices represent 100% of the market price of API Common on the date of the grant.

No options have been granted pursuant to the Qualified Stock Option Plan to John D. Saint-Amour or to any other director of API. Options were granted pursuant to the Plan to other present officers of API as a group for 18,000 shares as follows: 5,000 shares in June 1966 at $14.38 per share; 2,000 shares in August 1968 at $14 per share; 1,000 shares in October 1968 at $13.13 per share; and 10,000 shares in September 1969 at $13.6875 per share. None of the present officers of API has exercised any option granted pursuant to the Qualified Stock Option Plan.

George J. Crowdes, Jr., Vice-President-Engineering, exercised a restricted stock option for 2,000 shares of API Common granted to him on November 5, 1963, at the market price on that date of $6.65 per share, by purchasing 1,600 shares of API Common on August 9, 1967, on which date the approximate market price was $17.88 per share and by purchasing 400 shares on December 15, 1967, on which date the approximate market price was $18.50 per share. No additional restricted stock options are outstanding.

None of the other present officers or directors of API has exercised any options of either the Qualified Stock Option Plan or the expired Restricted Stock Option Plan for the past five years.

On January 2, 1970 the closing price of API Common on the American Stock Exchange was 21⅛.

If the Merger becomes effective, LFE will assume all outstanding options to purchase shares of API Common. See "The Proposed Merger — Assumption of API Options".

PROPOSED AMENDMENT TO LFE 1968 STOCK OPTION PLAN

As a result of the contemplated expansion of management personnel arising from the proposed merger with API, and to attract key executives and to increase the incentive and efficiency of those LFE executives responsible for its success and growth, the Board of Directors of LFE has adopted an amendment to the 1968 Plan covering a 40,000 share increase in the number of shares LFE Common available for options. If the proposed amendment is adopted, 60,100 shares will be available for the granting of options under the 1968 Plan.

For approval of the amendment, it will be necessary that holders of a majority of the shares of LFE Common present in person or by proxy at the LFE Special Meeting vote in favor thereof. Based on LFE's experience with the 1966 Plan and the 1968 Plan, the Board of Directors of LFE believes that the approval of the proposed amendment to the 1968 Plan is in the best interests of LFE and its stockholders. See "Profit-Sharing and Other Remuneration Plans — Stock Options of LFE". The Directors of LFE strongly urge a vote **FOR** such amendment.

The amendment to the 1968 Plan shall not become effective and no options will be granted covering shares over and above those presently available unless and until the amendment has been approved by the stockholders of LFE and the Merger has become effective. The 1968 Plan will in all other respects remain the same.

DESCRIPTION OF CAPITAL STOCK OF LFE

The Certificate of Incorporation of LFE presently provides for 4,500,000 shares of authorized capital stock, consisting of 500,000 shares of Series Preferred Stock, without par value (the "Series Preferred"), and 4,000,000 shares of Common Stock, par value $1 per share ("LFE Common"). Set forth below is a brief description of the terms of the Series Preferred — and particularly the Cumulative Preferred Stock $.50 Convertible Series A (herein referred to as the "LFE Preferred") — and the LFE Common, which description is qualified in its entirety by reference to the proposed Restated Certificate of Incorporation of LFE, attached as Exhibit A to Appendix I (the Merger Agreement) to this Proxy Statement, and to the resolution of LFE's Board of Directors fixing the terms of the LFE Preferred and attached as Exhibit B to such Appendix I. While the number of authorized shares of capital stock of LFE would not be affected by the adoption of such Restated Certificate, the following description of the Series Preferred is subject to the adoption thereof, as part of the Merger Agreement, by the LFE Stockholders at the LFE Special Meeting.

LFE SERIES PREFERRED STOCK

General

The present Certificate of Incorporation of LFE, as heretofore amended, and the proposed Restated Certificate of Incorporation, each provide for a class of 500,000 shares of Series Preferred. There are no shares of Series Preferred presently outstanding.

Shares of Series Preferred other than LFE Preferred may be issued from time to time in one or more series with such series designation, number of shares of the series, dividend rates, redemption prices, sinking fund provisions, amounts payable upon voluntary or involuntary liquidation, dissolution or winding up, conversion rights, voting rights (in addition to those conferred in the Certificate of Incorporation and by law), status as to reissuance or sale of shares of such series redeemed or otherwise acquired, conditions on dividends on and redemptions of junior stock, convertibility features and such other preferences, rights and restrictions, as the Board of Directors of LFE may fix, without further approval by the stockholders of LFE.

Dividend Rights

The Restated Certificate of Incorporation of LFE, if adopted, will provide that the holders of Series Preferred, in preference to the holders of LFE Common and to the holders of any other stock ranking junior to the Series Preferred (collectively "junior stock") shall be entitled to receive, as and when declared by the Board of Directors out of any funds legally available therefor, cash dividends at the annual rate specified for each particular series.

The annual dividend rate fixed for the LFE Preferred will be $.50 per share, payable semi-annually on the first days of April and October of each year commencing October 1, 1970.

Such dividends shall accrue and be cumulative commencing on the Merger Date except that in the case of LFE Preferred issued upon exercise of the API Options assumed by LFE under the Merger Agreement and upon conversion of the API Debentures, the dividends shall accrue and become cumulative commencing with the dividend payment date immediately preceding such exercise or conversion.

No dividends may be paid upon or declared for any series of Series Preferred for any dividend period unless at the same time a like proportionate dividend for the same dividend period, ratably in proportion to the respective annual dividend rates fixed therefor, is paid upon or declared and set apart for all shares of Series Preferred of all series then issued and outstanding and entitled to receive such dividend.

So long as any Series Preferred shall be outstanding, no dividend payment shall be declared, made or set apart nor shall any distribution (except in junior stock) be declared or made on any junior stock, nor may any junior stock be acquired (except in exchange for, or out of the proceeds of the sale of, other junior stock), unless (i) all past and current dividends on the Series Preferred have been paid or provided for and (ii) all mandatory redemption or sinking fund obligations shall have been complied with.

The Restated Certificate of Incorporation of LFE prohibits the purchase, retirement or other acquisition of any shares of LFE Common or any other shares ranking junior to the LFE Preferred unless all dividends upon all shares of LFE Preferred then outstanding for all dividend payment dates on or prior to the date of such action shall have been paid or funds therefor set apart, and all mandatory redemption or sinking fund obligations pursuant to the terms of any shares of LFE Preferred for all sinking fund payments due on or prior to the date of such action shall have been complied with.

Liquidation Rights

The holders of Series Preferred are entitled to receive upon any liquidation or dissolution or winding up (whether voluntary or involuntary) the amount specified for each particular series, together with accrued and unpaid dividends and a proportionate dividend based on the number of elapsed days since the last dividend payment date, before any distribution or payment may be made to the holders of any junior stock. If the amounts so payable are not paid in full to the holders of all outstanding shares of Series Preferred, the holders of all series of Series Preferred will share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. Holders of junior stock are entitled to receive the remaining assets, according to their respective rights, preferences and shares.

The amount payable upon any liquidation, dissolution or winding up to the holders of LFE Preferred is $14 per share plus accrued dividends and the proportionate dividend, if any.

The aggregate preference upon liquidation of the LFE Preferred will exceed the stated value thereof in the pro forma financial statements. (See Note (1) to the Pro Forma Combined Balance Sheet). There will be no restrictions upon the payment of dividends or other distributions on shares of the LFE Preferred or on the LFE Common solely by reason of the excess of the liquidation preferences over the stated value of the LFE Preferred. With respect to asset coverage of the LFE Preferred, see "LFE Preferred Coverage", below.

Redemption Provisions and Price

The whole or any part of the Series Preferred at any time outstanding or the whole or any part of any series thereof may be redeemed, at the option of LFE, by its Board of Directors, upon at least 30 days' notice, at such time and at such prices specified for each particular series, together with unpaid dividends to the redemption date plus a proportionate dividend based on the number of elapsed days since the last dividend payment date.

The LFE Preferred will be redeemable at any time on or after five years from the Merger Date at a redemption price of $10 per share. Shares of LFE Preferred purchased or redeemed by LFE, or converted, may not be reissued as shares of the same series.

Sinking Fund

There is no sinking fund applicable to the LFE Preferred, although future series of the Series Preferred may have retirement or sinking funds for the purchase of shares of such series.

Conversion Rights

The conversion price for the LFE Preferred shall initially be $20, so that each share of LFE Preferred shall initially be convertible into one-half share of LFE Common.

The conversion price for LFE Preferred is subject to proportionate adjustment in the case of:

(a) the issuance or sale by LFE after the Merger Date of any shares of LFE Common (other than shares of LFE Common issued upon conversion of LFE Preferred and API Debentures, upon the exercise of qualified options now or hereafter granted to officers or employees of LFE or any subsidiary, or for consideration which does not consist entirely, or substantially entirely, of cash), whether by way of stock dividend, stock split or otherwise, without consideration or for a consideration per share less than the conversion price in effect immediately prior to such issuance or sale;

(b) combination or consolidation of LFE Common into a lesser number of shares;

(c) under certain circumstances, reclassification or other change of the outstanding shares of LFE Common or consolidations or mergers, or any sale or conveyance to another corporation of the property of LFE as an entirety or substantially as an entirety; and

(d) conditions which shall arise or are expected to arise by reason of action by LFE which in the opinion of its Board of Directors might materially and adversely affect the LFE Preferred conversion rights (subject to certain determinations by independent public accountants).

No fractional shares of LFE Common will be issued upon conversion of shares of LFE Preferred. In lieu of any fractional share of LFE Common to which a holder of LFE Preferred might otherwise be entitled upon such conversion, a cash adjustment, based upon the market price of LFE Common, will be paid to such holder.

If LFE shall, at any time, grant to the holders of LFE Common the right to subscribe for or purchase any shares of stock of any class or other rights, or shall declare any stock dividend payable in LFE Common, or authorize any distribution (other than regular cash dividends) to holders of LFE Common or if there shall be any capital reorganization, liquidation or winding up, then the holders of LFE Preferred shall be given at least 20 days prior written notice of such action.

The right to convert any shares of LFE Preferred when called for redemption on 30 days' notice extends to the close of business on the date fixed for redemption of such shares.

Voting Rights

Upon default in the payment of dividends on any series of Series Preferred in an amount equivalent to or exceeding six quarterly dividends at the rate fixed for such series of Series Preferred, whether or not earned or declared, the holders of outstanding shares of all series of Series Preferred, voting as a class, each share having one vote, will be entitled to elect two members of the Board of

Directors (in addition to any other voting right of such stock with respect to election of Directors) until all dividends in default are paid or provided for. Such right will continue until all dividends in default shall have been paid, or declared and a sum sufficient for the payment thereof set apart.

The consent of the holders of at least two-thirds of the shares of each affected series of Series Preferred, voting separately as a class, shall be necessary to adopt any amendment to the Certificate of Incorporation of LFE or adopt any Board Resolution or take any other action which

(i) changes shares of such series into a lesser number of shares or into the same or a different number of shares of another class or series,

(ii) changes adversely any preferences, rights or powers of such series,

(iii) authorizes shares of any class or series, or any security convertible into shares of any class or series or the conversion of any security into shares of any class or series, ranking prior to such series, or

(iv) changes the preferences, rights or powers of shares of any class or series ranking prior to such series so as to adversely affect the holders of such series.

unless such action is in connection with the consolidation or merger of LFE with or into another corporation, so long as the required vote provided in clause (ii) below is obtained.

The consent of the holders of at least a majority of the shares of the Series Preferred, voting separately as a class, shall be necessary to effect

(i) the sale, lease or conveyance by LFE of all or substantially all its property;

(ii) the merger or consolidation of LFE with or into any other corporation, unless the corporation resulting from such merger or consolidation will have after such merger or consolidation no class or series of shares either authorized or outstanding ranking prior to or on a parity with the Series Preferred, except the same number of shares ranking prior to or on a parity with the Series Preferred and having substantially the same rights and preferences as the shares of LFE authorized and outstanding immediately preceding such merger or consolidation, and each holder of Series Preferred immediately preceding such merger or consolidation shall receive the same number of shares, with the same rights and preferences, of the resulting corporation;

(iii) the purchase or redemption of less than all the Series Preferred except in accordance with a stock purchase offer made to all holders of Series Preferred, unless all dividends thereon are current or set apart and mandatory sinking fund and redemption requirements have been complied with.

The consent of the holders of at least a majority of all the voting shares of LFE, with the holders of Series Preferred, voting together with the holders of LFE Common, shall be necessary to effect any amendment to the Certificate of Incorporation of LFE which authorizes additional shares of, shares of any class convertible into, or the conversion of shares of any class into, Series Preferred or shares on a parity with the Series Preferred.

In addition to the foregoing voting rights of all series of Series Preferred and those conferred on the holders of Series Preferred by Delaware law to act separately on certain matters, the holders of LFE Preferred will be entitled to vote with the holders of LFE Common at a rate of one vote per share on all matters which may be submitted to holders of voting shares of capital stock of LFE at any annual or special meeting thereof, and to vote on a cumulative basis for the election of directors.

Pre-Emptive Rights

The Board of Directors of LFE is authorized to issue, sell or otherwise dispose of any stock for such consideration (not less than the par value, if any, thereof) and upon such terms and conditions as it in its discretion may deem for the best interests of LFE, and the holders of Series Preferred

(as well as all other classes) have no pre-emptive right to subscribe for any stock so issued, sold or otherwise disposed of.

Fully Paid and Non-Assessable

The shares of LFE Preferred to be issued pursuant to the Merger Agreement, and upon exercise of the API Options and conversion of the API Debentures, when issued, will be fully paid and non-assessable.

LFE Preferred Coverage

As at October 24, 1969, the net assets of LFE would have covered 5.5 times the total liquidation value of the LFE Preferred to be issued pursuant to the Merger Agreement; the pro forma net assets of the merged companies would cover the LFE Preferred 7.2 times. For the fiscal years ended on April 25, 1969 and on December 31, 1968 for LFE and API, respectively, the Pro Forma Combined net income of the merged companies would cover the annual dividend payable on the LFE Preferred 17.8 times.

Transfer Agents and Registrars

The transfer agents for both the LFE Preferred and the LFE Common are Old Colony Trust Company, Boston, and Chase Manhattan Bank, N.A., New York. The registrars for such stock are The First National Bank of Boston and Irving Trust Company, New York.

LFE COMMON

The present Certificate of Incorporation of LFE, as heretofore amended, and the proposed Restated Certificate of Incorporation, each provide for a class of 4,000,000 shares of LFE Common.

Holders of LFE Common are entitled to such dividends as the Board of Directors may declare from funds legally available therefor, subject to the preferential rights of the Series Preferred (see "LFE Series Preferred Stock").

The holders of LFE Common have one vote per share upon all matters presented to the stockholders except for certain matters involving the right of holders of Series Preferred as described above under "LFE Series Preferred Stock — Voting Rights." As noted there, the holders of Series Preferred also have the right to vote on all matters submitted to a vote of holders of LFE Common. Holders of LFE Common are entitled to vote cumulatively in the election of directors.

Holders of LFE Common have no pre-emptive rights. In this connection see "LFE Series Preferred Stock — Pre-Emptive Rights".

Except for 1,199 shares of LFE Common issued as partly paid under an employee stock option plan, the outstanding shares of LFE Common are, and the shares of LFE Common to be received by API shareholders in the Merger, upon exercise of the API Options, and upon conversion of the API Debentures and the LFE Preferred will be, when issued, fully paid and non-assessable.

MISCELLANEOUS

The information set forth herein with respect to LFE and API has been furnished by the respective companies.

The expenses of preparing, assembling, printing and mailing this Proxy Statement, the Notice of Meeting, the enclosed form of proxy and any additional material relating to the meeting which may be furnished to stockholders by the respective managements of LFE and API subsequent to the furnishing of the Proxy Statement will be paid by LFE if the Merger is consummated or by the respective corporations if the Merger is not consummated. In addition to the solicitation of proxies by use of the mails, each corporation may utilize the services of one or more directors, officers or other regular employees of the corporation (who will receive no compensation for their services other than their regular salaries) to solicit proxies personally and by telephone. Each corporation will reimburse banks, brokerage houses, custodians, nominees and other fiduciaries for out-of-pocket expenses incurred by them in sending proxy materials to beneficial owners of the stock and obtaining their proxies. Georgeson & Co., 52 Wall Street, New York, New York, has been retained by API and LFE to aid in the solicitation of proxies and will receive fees of approximately $4,200 and $5,800, respectively, including estimated out-of-pocket expenses, for such services.

As of the date of this Proxy Statement, the Managements of LFE and API have no knowledge of any business which will be presented for consideration at their respective meetings other than as described above. Shares represented by all properly executed proxies will be voted. If no choice is specified, in the case of either LFE or API, such proxies will be voted in favor of adoption of the Merger Agreement (unless with respect to the Merger Agrement it shall have been terminated prior to the Meetings), and additionally, in the case of LFE, in favor of the amendment to the LFE 1968 Stock Option Plan. As to other business, if any, that may properly come before the meetings, it is intended that proxies in the accompanying form will be voted in respect thereof in accordance with the judgment of the person or persons voting the proxies.

Although a stockholder may have given a proxy, such stockholder may nevertheless vote in person, should he attend the meeting. A stockholder giving an LFE Management proxy has the power to revoke it by written notice of revocation at any time before it is exercised. API Management proxies may be revoked at any time before a vote is taken or the authority granted is otherwise exercised. Revocation of such API proxies may be accomplished by the execution of a later proxy with regard to the same shares or by giving notice in writing or in open meeting. Proxies which are properly executed will be voted, and where a choice has been specified by the stockholder will be voted accordingly.

BY ORDER OF THE BOARD OF DIRECTORS
of API Instruments Company

MYRON W. ULRICH
Secretary

BY ORDER OF THE BOARD OF DIRECTORS
of LFE Corporation

E. MACKAY FRASER
Secretary

Dated: February 16, 1970

STOCKHOLDERS ARE URGED TO EXECUTE THE ACCOMPANYING PROXY AND RETURN IT PROMPTLY IN THE ACCOMPANYING ENVELOPE.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To LFE Corporation:

We have examined the consolidated balance sheet of LFE Corporation (formerly Laboratory For Electronics, Inc.) (a Delaware Corporation) and its subsidiaries as of April 25, 1969 and the related consolidated statement of operations (included on page 12), and consolidated statements of retained earnings (deficit) and premium on common stock for the five years ended April 25, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain confirmation of certain receivables; however, we have applied other auditing procedures as to such receivables.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of LFE Corporation and its subsidiaries as of April 25, 1969, and the results of their operations for the five years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Boston, Massachusetts

June 2, 1969

LFE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

April 25, 1969 and October 24, 1969

ASSETS

	April 25, 1969	October 24, 1969 (Unaudited)
CURRENT ASSETS:		
Cash	$ 370,740	$ 264,000
Receivables — net of reserves of $344,667 in April 1969 and $299,000 in October 1969	9,979,937	8,364,000
Contracts in progress (Note 2)	1,123,979	1,443,000
Contract reserves (Note 2)	(1,805,051)	(1,513,000)
Inventories, at lower of cost or market (Note 3)	6,754,059	7,826,000
Prepaid expenses	209,076	234,000
Total current assets	16,632,740	16,618,000
INVESTMENTS, AT COST (Note 4)	1,521,584	1,551,000
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 5 and 6)		
Land	1,779,645	1,768,000
Buildings	6,218,831	6,763,000
Machinery and equipment	5,263,277	5,495,000
	13,261,753	14,026,000
Less accumulated depreciation	6,175,313	6,266,000
	7,086,440	7,760,000
INSTALMENT RECEIVABLES, LONG-TERM PORTION	185,615	413,000
	$25,426,379	$26,342,000

The accompanying notes are an integral part of these statements.

LFE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

April 25, 1969 and October 24, 1969

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	April 25, 1969	October 24, 1969 (Unaudited)
Current Liabilities:		
Bank loans and current instalments of long-term debt	$ 4,227,797	$ 5,082,000
Accounts payable	1,719,441	2,153,000
Accrued liabilities:		
Payroll	797,719	785,000
Taxes, other than Federal income tax	390,863	556,000
Other	1,382,714	1,252,000
Federal income tax (Notes 2 and 7)	1,535,920	965,000
Total current liabilities	10,054,454	10,793,000
Long-Term Debt: (Mortgages on land and buildings payable quarterly in equal instalments plus interest)		
6% loan, payable through May 1, 1985	3,325,000	2,966,000
6¾% loan, payable through December 1, 1982	550,000	530,000
	3,875,000	3,496,000
Less current portion included in current liabilities	230,000	230,000
	3,645,000	3,266,000
Contingent Liabilities (Note 9)		
Stockholders' Investment:		
Common stock, par value $1 per share (Note 10) Authorized — 2,000,000 shares in April 1969 and 4,000,000 shares in October 1969		
Outstanding — 1,311,697 shares in April 1969 and 1,315,165 in October 1969	1,311,697	1,315,000
Premium on common stock (Note 10)	16,984,208	17,018,000
Retained earnings (deficit)	(6,568,980)	(6,050,000)
Total stockholders' investment	11,726,925	12,283,000
	$25,426,379	$26,342,000

The accompanying notes are an integral part of these statements.

LFE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

For The Five Years Ended April 25, 1969
And The Six-Month Periods Ended October 25, 1968 and October 24, 1969

	For The Fiscal Year Ended					For The Six Months Ended	
	April 30, 1965	April 29, 1966	April 28, 1967	April 26, 1968	April 25, 1969	October 25, 1968	October 24, 1969
						(Unaudited)	
Balance at beginning of period	$(1,577,122)	$(2,157,382)	$(1,816,713)	$(2,888,687)	$(7,700,382)	$(7,700,382)	$(6,568,980)
Net income (loss)	(460,512)	340,669	(1,071,974)	(4,811,695)	1,131,402	171,000	519,000
Effect of change in method of accounting for certain sales (1)	(119,748)	—	—	—	—	—	—
Balance at end of period	$(2,157,382)	$(1,816,713)	$(2,888,687)	$(7,700,382)	$(6,568,980)	$(7,529,382)	$(6,049,980)

(1) See Note A to Consolidated Statement of Operations.

CONSOLIDATED STATEMENT OF PREMIUM ON COMMON STOCK

For The Five Years Ended April 25, 1969
And The Six-Month Periods Ended October 25, 1968 and October 24, 1969

	For The Fiscal Year Ended					For The Six Months Ended	
	April 30, 1965	April 29, 1966	April 28, 1967	April 26, 1968	April 25, 1969	October 25, 1968	October 24, 1969
						(Unaudited)	
Balance at beginning of period	$16,859,731	$16,859,731	$16,859,731	$16,859,731	$16,902,878	$16,902,878	$16,984,208
Add premium on Common Stock arising from exercise of stock options	—	—	—	43,147	81,330	57,003	34,038
Balance at end of period	$16,859,731	$16,859,731	$16,859,731	$16,902,878	$16,984,208	$16,959,881	$17,018,246

The accompanying notes are an integral part of these statements.

LFE CORPORATION

NOTES TO FINANCIAL STATEMENTS

April 25, 1969, and October 24, 1969 (Unaudited)

NOTE 1. *Basis of Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and all of its domestic and foreign subsidiaries. Intercompany balances and transactions were eliminated in consolidation. LFE Corporation's investments in subsidiaries are carried at underlying book value.

NOTE 2. *Method of Accounting for Profits on Contracts and Federal Income Taxes*

The Company follows the practice of recording estimated profits earned on long-term contracts of the Electronics Division by applying percentages of completion in each year to estimated final profits. If a loss is indicated by the estimate on a contract, provision is made for the entire loss without reference to the percentage of completion. The amount shown as contracts in progress net of contract reserves represents all costs incurred on contracts plus profits or less losses recorded thereon and less billings to date. Gross income on long-term contracts was as follows:

Fiscal Year Ended	Gross Income on Long-Term Contracts
April 28, 1967	$21,000,000
April 26, 1968	$11,700,000
April 25, 1969	$ 7,900,000
Six Months Ended (Unaudited)	
October 24, 1969	$ 2,800,000

Federal income taxes are provided in the financial statements on contract profits determined on a percentage-of-completion basis. In Federal income tax returns, contract profits are included in the year in which the contracts are completed. This policy tends to defer until future periods the payment of the taxes for which provisions have been made.

NOTE 3. *Inventories*

Inventories, stated at the lower of cost (principally first-in, first-out) or market, consisted of the following:

	April 29, 1966	April 28, 1967	April 26, 1968	April 25, 1969	October 24, 1969 (Unaudited)
Purchased and manufactured parts and materials	$2,956,833	$ 3,169,655	$ 3,322,020	$3,059,690	$3,661,902
Work in process	3,883,275	4,680,905	4,609,648	2,893,620	3,203,375
Finished products	2,435,429	2,171,265	2,233,369	800,749	960,723
	$9,275,537	$10,021,825	$10,165,037	$6,754,059	$7,826,000

NOTE 4. *Investments*

Investments, at cost, consisted of:

	April 25, 1969	October 24, 1969 (Unaudited)
International Chemical & Nuclear Corporation (ICN)	$1,259,084	$1,259,000
Keleket/CGR Corporation (45% interest in joint venture corporation)	262,500	263,000
Total Computer Systems, Inc. (TCS)	—	29,000
	$1,521,584	$1,551,000

On February 3, 1969, the Company sold a foreign subsidiary along with certain product lines and related assets of a domestic division in exchange for 40,677 shares of ICN's common stock. The purchase and sale agreement restricts the Company in the sale of ICN's common stock to 25% initially, 25% after February 3, 1970, and the remaining 50% after February 3, 1971.

The agreement also provides that the market value, at February 3, 1971, of the total ICN shares received and held plus cash proceeds from the sale of stock must be greater than the net book value of the assets sold or ICN will issue additional shares. The Company is carrying its investment at the net book value of the assets sold, net of the proceeds from the sale of 10,169 shares.

The Keleket/CGR joint venture agreement provides for both partners to make available through October 1971, at the discretion of the Keleket/CGR Board of Directors, additional capital not to exceed $1,000,000 and guarantee bank loans not to exceed $1,000,000. The Company's commitment is limited to an aggregate of $900,000 (45% participation of $2,000,000).

In August 1969 LFE acquired for cash approximately 41% of the outstanding stock of TCS. In connection with this transaction LFE has guaranteed with a bank a line of credit for TCS amounting to $200,000.

NOTE 5. *Property, Plant and Equipment*

Property, plant and equipment is recorded in the accounts at cost. Additions and improvements to fixed assets are capitalized. The cost of units of depreciable property retired or sold is removed from the property accounts, the accumulated depreciation is charged to the reserve for depreciation and any gain or loss is reflected in the income accounts.

Depreciation is provided on gross book value by accelerated methods permitted by the Internal Revenue Code (principally the declining-balance method) since October 1, 1954 (Eastern Industries Division and Automatic Signal Division), and April 26, 1958 (Electronics Division). Leasehold improvements, property acquired in prior years and all Trapelo Division property are being depreciated by the straight-line method. Under both methods, the estimated useful lives of individual units of property are as follows:

Buildings and improvements	10-40 years
Machinery and equipment	3-15 years
Leasehold improvements	Life of lease

Ordinary maintenance and repair expenses are charged to income as incurred.

See "Business and Property of LFE — Property".

NOTE 6. *Investment Credit*

The Company has deferred the investment credit available under the Revenue Act of 1962 and will recognize it as income over the useful life of the property creating the credit. The amount deferred at April 25, 1969 was $49,088 and at October 24, 1969 was $42,135.

NOTE 7. *Federal Income Taxes*

The Federal income tax provision has been computed on the basis of the income and expenses set forth in the accompanying consolidated statements of operations regardless of when such income and expenses are reported for tax purposes.

In Federal income tax returns contract profits and losses are reported in the year in which the contracts are completed. As a result the Company has deductions, as of October 24, 1969, from future income of approximately $3,300,000 principally of estimated loss reserves on contracts in process which are reportable for tax purposes in the year in which the contracts are completed.

The Company currently has available approximately $1,600,000 of net operating loss carry-forward, of which $300,000 expires in 1973 and $1,300,000 in 1974, and is subject to audit by the Internal Revenue Service.

NOTE 8. *Retirement and Profit-Sharing Plans*

The Company has established a voluntary, contributory retirement and profit-sharing program for all employees effective as of the beginning of fiscal year 1967. The amounts charged to income of $46,000 for the fiscal year 1967, $48,000 for fiscal year 1968, $26,000 for fiscal year 1969 and $24,000 for the six months ended October 24, 1969, are based upon the estimated annual cost of the retirement plan including an amount to amortize unfunded past service cost and related interest over a 40-year period. Charges are being funded currently. The unfunded past service cost for the retirement plan amounted to $310,000 at April 25, 1969. No actuarial computation was made as of October 24, 1969, but it is expected that the unfunded past service cost at that date would be reduced as the result of a number of separations of long-service employees. The retirement program is at the discretion of the Company and may be discontinued at any time.

In the fiscal year 1969 the Company charged $158,657 to income for its initial contribution to the profit-sharing plan. For the six months ended October 24, 1969 the amount charged to income was $40,000.

In addition to the above retirement and profit-sharing plans, two of the Company's operating Divisions have an insured employee retirement plan, the entire cost of which is borne by the Company.

NOTE 9. *Contingent Liabilities*

The Company has sold certain of its lease receivables with recourse. In the event of default by the lessee, the Company has the right to repossess the equipment. The Company was contingently liable on such receivables amounting to approximately $1,600,000 as of April 25, 1969 and $1,300,000 as of October 24, 1969. The Company is also contingently liable in connection with certain lawsuits at April 25, 1969 and October 24, 1969. In the opinion of management, the Company's liability, if any, under such lawsuits would not have a material effect on the accompanying financial statements.

NOTE 10. *Common Stock*

The number of shares of common stock shown as outstanding on the balance sheet as of April 25, 1969 and October 24, 1969 does not include 14 shares held as treasury stock.

At April 25, 1969 and October 24, 1969 121,038 and 117,237 shares of common stock, respectively, were reserved for issuance to officers and salaried employees under the following stock option plans:

(a) A plan providing for option prices at not less than 100% of the fair market value at the date the options were granted. Options are exercisable as to one-third of the shares subject thereto on the second anniversary of the grant and as to an additional one-third on each subsequent anniversary, expiring five years after the date of grant.

(b) A plan providing for option prices at not less than 95% of the fair market value at the date the options were granted. Options become exercisable as to one-third of the shares subject thereto on the fourth anniversary of the grant and as to an additional one-third on each subsequent anniversary, expiring seven years after date of grant. In October, 1964, this plan was amended to provide for option prices not less than 100% of the fair market value at the date options were granted and options become exercisable as to one-third of the shares subject thereto on the second anniversary of the grant and as to an additional one-third on each subsequent anniversary, expiring five years after the date of grant.

(c) A plan (acquired in the Tracerlab, Inc., merger) providing for option prices at not less than 95% of the fair market value at the date the options were granted. The options are currently exercisable and expire ten years after date of grant.

Data regarding options outstanding on balance sheet dates and options which became exercisable or were exercised during the period of three years and six months ended October 24, 1969, are as follows:

OUTSTANDING OPTIONS AS OF APRIL 25, 1969

Date Options Were Granted	Plan, as Described Above	Number of Shares Under Option	Option Price		Approximate Market Price at Date of Grant	
			Per Share	In Total	Per Share	In Total
April 1957	(c)	1,111	$30.24	$ 33,597	$30.94	$ 34,374
May 1961	(c)	111	63.05	6,999	63.00	6,993
October 1964	(b)	267	7.00	1,869	7.00	1,869
April 1965	(b)	768	7.75	5,952	7.75	5,952
March 1966	(a)	9,709	13.20	128,159	13.20	128,159
May 1966	(a)	13,334	11.63	155,074	11.63	155,074
November 1967	(a)	1,000	21.32	21,320	21.32	21,320
March 1968	(a)	20,000	23.13	462,600	23.13	462,600
May 1968	(a)	15,800	25.07	396,106	25.07	396,106
September 1968	(a)	3,500	30.82	107,870	30.82	107,870
February 1969	(a)	21,900	29.13	637,947	29.13	637,947
		87,500		$1,957,493		$1,958,264

NOTE 10. *Common Stock* (Continued)

OUTSTANDING OPTIONS AS OF OCTOBER 24, 1969

Date Options Were Granted	Plan, as Described Above	Number of Shares Under Option	Option Price		Approximate Market Price at Date of Grant	
			Per Share	In Total	Per Share	In Total
April 1957	(c)	1,111	$30.24	$ 33,597	$30.94	$ 34,374
May 1961	(c)	111	63.05	6,999	63.00	6,993
April 1965	(b)	34	7.75	264	7.75	264
March 1966	(a)	8,740	13.20	115,368	13.20	115,368
May 1966	(a)	10,334	11.63	120,184	11.63	120,184
November 1967	(a)	1,000	21.32	21,320	21.32	21,320
March 1968	(a)	20,000	23.13	462,600	23.13	462,600
May 1968	(a)	14,800	25.07	371,036	25.07	371,036
September 1968	(a)	3,000	30.82	92,460	30.82	92,460
February 1969	(a)	21,650	29.13	630,665	29.13	630,665
June 1969	(a)	15,250	24.00	366,000	24.00	366,000
		96,030		$2,220,493		$2,221,264

Shares under option which became exercisable:				Approximate Market Price at Date Exercised	
				Per Share	In Total
Year ended:					
April 28, 1967	5,082	$7.00–16.87	$43,218	$12.16–19.13	$ 81,942
April 26, 1968	9,150	7.00–14.32	107,485	15.31–22.69	197,015
April 25, 1969	10,704	7.00–13.20	124,188	26.13–31.88	289,009
Six months ended October 24, 1969	5,367	7.75–11.63	60,990	27.31–27.53	146,654
			$335,881		$714,620

Shares under option exercised:				Approximate Market Price at Date Exercised	
				Per Share	In Total
Year ended:					
April 28, 1967	—	—	—	—	—
April 26, 1968	5,211	$7.00–14.32	$48,358	$15.63–26.13	$114,232
April 25, 1969	8,400	7.00–14.32	89,729	23.94–33.94	248,733
Six months ended October 24, 1969	3,468	7.00–13.20	37,506	18.56–27.94	86,990
			$175,593		$449,955

Of the foregoing shares under options as of April 25, 1969 and October 24, 1969, options for 10,819 and 12,768 shares, respectively, were exercisable at these dates.

No accounting recognition is given to stock options until they are exercised at which time the option price received is credited to the common stock and premium on common stock accounts.

NOTE 11. *Subsequent Transactions*

In November 1969 LFE acquired a 49% interest in Control System Industries, Inc. for $54,000. LFE has guaranteed with a bank a line of credit for Control System Industries, Inc. amounting to $500,000.

In January 1970 LFE acquired Midland Products Company and a related Canadian company, Mid-Mar Ltd. In exchange for all of the outstanding stock of these companies LFE issued 16,000 shares of its Common Stock and may be required to issue additional Common Stock, not to exceed 7,000 shares, during the fiscal years 1971-72. The number of additional shares, if any, is based on achieving specified levels of profitable sales.

In January 1970, the business and certain assets of the Electronics Division of LFE were sold to Epsco, Incorporated in exchange for Epsco Common Stock and royalties on future sales.

NOTE 12. *Supplementary Income Information*

The following amounts have been included as charges to cost of work performed for the years ended April 28, 1967, April 26, 1968 and April 25, 1969 and the six-month period ended October 24, 1969:

	Direct Costs and Overhead	Selling, General and Administrative Expenses	Total
Year Ended April 28, 1967 —			
Maintenance and repairs	$ 232,092	$ 63,101	$ 295,193
Depreciation and amortization	692,985	126,705	819,690
Payroll taxes	824,485	193,421	1,017,906
Real estate and personal property taxes	201,429	55,472	256,901
Other taxes	2,089	33,903	35,992
Rents	291,572	162,017	453,589
Year Ended April 26, 1968 —			
Maintenance and repairs	$ 223,953	$ 54,542	$ 278,495
Depreciation and amortization	708,603	91,924	800,527
Payroll taxes	706,791	239,516	946,307
Real estate and personal property taxes	251,105	33,916	285,021
Other taxes	69,770	115,363	185,133
Rents	440,937	108,078	549,015
Year Ended April 25, 1969 —			
Maintenance and repairs	$ 413,319	$ 61,512	$ 474,831
Depreciation and amortization	682,212	57,972	740,184
Payroll taxes	1,032,906	132,805	1,165,711
Real estate and personal property taxes	293,441	12,415	305,856
Other taxes	14,701	67,953	82,654
Rents	343,129	365,206	708,335
Six Months Ended October 24, 1969 —			
Maintenance and repairs	$ 144,816	$ 24,740	$ 169,556
Depreciation and amortization	285,690	21,756	307,446
Payroll taxes	216,962	113,398	330,360
Real estate and personal property taxes	141,534	52,399	193,933
Other taxes	1,442	74,766	76,208
Rents	158,576	88,272	246,848

The Stockholders and Board of Directors,
API Instruments Company:

We have examined the statement of earnings of API Instruments Company for the two years ended December 31, 1965. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have not examined financial statements of the Company for any period subsequent to December 31, 1965.

In our opinion, such statement of earnings presents fairly the results of operations of API Instruments Company for the two years ended December 31, 1965 in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Cleveland, Ohio
February 3, 1966

The Stockholders and Board of Directors,
API Instruments Company,
Chesterland, Ohio.

We have examined the accompanying consolidated balance sheet of API Instruments Company and Subsidiary as of December 31, 1968, and the related consolidated statements of earnings and stockholders' equity for the three years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of API Instruments Company and Subsidiary at December 31, 1968, and the consolidated results of their operations for the three years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.
Certified Public Accountants

Cleveland, Ohio
March 8, 1969 as of
December 1, 1969

API INSTRUMENTS COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

ASSETS	December 31, 1968	October 31, 1969 (Unaudited)
CURRENT ASSETS:		
Cash	$ 213,384	$ 43,790
Accounts receivable, less allowance for doubtful accounts of $35,000 in 1968 and $75,000 in 1969	1,607,641	2,226,476
Inventories, at the lower of cost (first-in, first-out) or market (Note B)	1,925,971	2,595,264
Prepaid expenses	55,335	94,030
TOTAL CURRENT ASSETS	$3,802,331	$4,959,560
OTHER ASSETS:		
Non-current receivables	$ 32,952	$ —
Cash surrender value of life insurance — net of loans	15,719	8,381
Unamortized debenture expense	18,023	12,610
	$ 66,694	$ 20,991
PROPERTY, PLANT AND EQUIPMENT — at cost (Note C):		
Land	$ 98,741	$ 98,741
Buildings and improvements	1,476,400	1,525,092
Machinery and equipment	628,819	859,115
	$2,203,960	$2,482,948
Less accumulated depreciation	836,736	1,028,204
	$1,367,224	$1,454,744
	$5,236,249	$6,435,295

LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Note payable to bank	$ 100,000	$ 500,000
Accounts payable	320,353	724,335
Payroll and other taxes	136,559	205,172
Salaries, wages and commissions	226,411	221,173
Interest	14,607	16,623
Other	22,547	58,223
Federal taxes on income	200,976	110,388
TOTAL CURRENT LIABILITIES	$1,021,453	$1,835,914
5¾% CONVERTIBLE SUBORDINATED DEBENTURES (Note D)	$ 676,500	$ 612,000
STOCKHOLDERS' EQUITY:		
Common stock, par value $1 per share: Authorized 750,000 shares (Notes D and E) Issued 538,641 shares in 1968 and 543,425 shares in 1969 (including 6,934 shares held in treasury)	$ 538,641	$ 543,425
Additional paid-in capital	1,191,860	1,251,576
Retained Earnings	1,846,802	2,231,387
	$3,577,303	$4,026,388
Less 6,934 shares of Common Stock held in treasury, at cost	39,007	39,007
	$3,538,296	$3,987,381
	$5,236,249	$6,435,295

See notes to consolidated financial statements.

API INSTRUMENTS COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Unaudited with respect to the ten months ended October 31, 1969)

	Total	Common stock	Additional paid-in capital	Retained earnings	Treasury stock (6,934 shares)
Balance, January 1, 1966	**$2,470,904**	**$506,561**	**$ 814,704**	$1,188,646	$(39,007)
Stock options exercised, 757 shares	5,867	757	5,110		
Common stock issued upon conversion of 5¾% Convertible Subordinated Debentures, 1,855 shares	24,999	1,855	23,144		
Net earnings for the year	495,753			495,753	
Cash dividends — $.40 per share	(200,229)			(200,229)	
Balance, December 31, 1966	$2,797,294	$509,173	$ 842,958	$1,484,170	$(39,007)
Stock options exercised, 2,513 shares	18,201	2,513	15,688		
Common stock issued upon conversion of 5¾% Convertible Subordinated Debentures, 17,958 shares	242,000	17,958	224,042		
Net earnings for the year	372,321			372,321	
Cash dividends — $.40 per share	(204,811)			(204,811)	
Balance, December 31, 1967	$3,225,005	$529,644	$1,082,688	$1,651,680	$(39,007)
Stock options exercised, 800 shares	7,669	800	6,869		
Common stock issued upon conversion of 5¾% Convertible Subordinated Debentures, 8,197 shares	110,500	8,197	102,303		
Net earnings for the year	301,000			301,000	
Cash dividends — $.20 per share	(105,878)			(105,878)	
Balance, December 31, 1968	$3,538,296	$538,641	$1,191,860	$1,846,802	$(39,007)
Common stock issued upon conversion of 5¾% Convertible Subordinated Debentures, 4,784 shares	64,500	4,784	59,716		
Net earnings for the ten months ended October 31, 1969	438,097			438,097	
Cash dividends — $.10 per share	(53,512)			(53,512)	
Balance, October 31, 1969	$3,987,381	$543,425	$1,251,576	$2,231,387	$(39,007)

See notes to consolidated financial statements.

API INSTRUMENTS COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited with respect to the ten months ended October 31, 1969)

A — PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, API Instruments Canada, Limited (formed in 1966), after eliminating intercompany accounts and transactions. All accounts of the subsidiary have been translated at the average rate of exchange for the year. The Company's equity and net assets exceeded its investment by $5,852 at October 31, 1969, which represents earnings since date of organization and is included in consolidated retained earnings.

B — INVENTORIES

Inventories entering into the determination of cost of goods sold for the three years ended December 31, 1968, and the ten months ended October 31, 1969, are as follows:

	Total	Finished goods and work in process	Raw Materials
December 31, 1965	$1,310,128	$ 610,446	$ 699,682
December 31, 1966	1,734,867	801,257	933,610
December 31, 1967	1,828,796	714,108	1,114,688
December 31, 1968	1,925,971	855,791	1,070,180
October 31, 1969	2,595,264	1,039,507	1,555,757

C — PROPERTY, PLANT AND EQUIPMENT

It is the Company's policy to provide for depreciation of new plant and equipment purchased over estimated useful lives using substantially the sum-of-the-years' digits method; the straight-line method is used to depreciate the cost of used items purchased. The lives are principally as follows:

Buildings and improvements	40 years; improvements over remaining lives of buildings
Machinery and equipment	3–10 years

Maintenance and repair costs are charged to operations as incurred; property replacements and betterments are capitalized.

The asset and applicable accumulated depreciation accounts are relieved when the asset is disposed of; gain or loss is reflected in earnings.

D — 5¾% CONVERTIBLE SUBORDINATED DEBENTURES

The Convertible Subordinated Debentures are due September 1, 1972. They are convertible into common shares at $13.46 per share (with anti-dilution adjustment provisions) and at October 31, 1969 were redeemable at the Company's option wholly or in part at a premium of 2%. The premium decreases at a rate of 1% per annum at each August 31. At October 31, 1969, there were reserved for conversion of the debentures, 45,489 shares of the Company's authorized but unissued Common Stock.

E — STOCK OPTIONS

The Company has granted to certain officers and key employees, options to purchase shares of its Common Stock. At October 31, 1969, 26,725 shares of unissued common stock were reserved under the plan, and options for 21,250 shares were outstanding as follows:

Granted	Exercisable	Number of shares	Option price (market value at date of option) Per share	Total
March, 1965	1966-1970	400	$ 7.38	$ 2,952
June, 1966	1967-1971	5,000	14.38	71,900
July, 1966	1968-1971	250	14.50	3,625
March, 1968	1969-1972	600	14.25	8,550
August, 1968	1970-1972	2,000	14.00	28,000
October, 1968	1970-1972	2,000	13.13	26,260
February, 1969	1970-1973	500	15.06	7,530
September, 1969	1970-1973	10,500	13.69	143,719
		21,250		$292,536

Options are granted at not less than fair market value at date of grant. The options are for a period of five years and are exercisable 18 months after date of grant except that not more than 40% may be exercised within two years from date of grant and 20% each year thereafter during the remaining option period. Cumulative provisions apply with respect to any period in which that portion of the option was not exercised. During the three years ended December 31, 1968, and the ten months ended October 31, 1969, options became exercisable as follows:

	Number of shares	Option price Per share	Option price Total	Fair market value at date exercisable Per share	Fair market value at date exercisable Total
Year ended December 31:					
1966	2,282	$ 5.26 to 9.50	$16,112	$11.62 to 14.25	$28,852
1967	3,692	6.65 to 14.38	44,298	12.00 to 20.38	66,492
1968	1,334	7.38 to 14.50	18,277	13.50 to 17.75	20,668
Ten months ended October 31, 1969:	1,370	7.38 to 14.50	19,115	13.38 to 14.25	19,251

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited with respect to the ten months ended October 31, 1969)

E — STOCK OPTIONS (Continued)

During the three years ended December 31, 1968 and the ten months ended October 31, 1969, options were exercised as follows:

	Number of shares	Option price		Fair market value at exercise dates	
		Per share	Total	Per share	Total
Year ended December 31:					
1966	757	$ 6.94 to 9.50	$ 5,867	$12.50 to 14.75	$10,075
1967	2,513	6.65 to 10.88	18,201	15.62 to 23.12	44,890
1968	800	9.50 to 10.19	7,669	16.00 to 19.25	13,239
Ten months ended October 31, 1969:	None				

Upon exercise of option, common stock is credited with the par value of the number of shares issued and the excess of the proceeds over par value is credited to additional paid-in capital.

F — PENSIONS

The Company's contributory retirement pension trust covers all employees who have at least three years of service and who desire to make the required contribution toward the acquisition of life insurance contracts providing retirement benefits. The Company pays an amount equal to twice the amount contributed by the employee.

Pension costs for the three years ended December 31, 1968 and the ten months ended October 31, 1969, are as follows:

Year ended December 31:	
1966	$51,614
1967	56,576
1968	65,441
Ten months ended October 31, 1969:	59,883

No past service liability exists under the plan.

API INSTRUMENTS COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited with respect to the ten months ended October 31, 1969)

G — SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

	Cost of goods sold and operating expenses	Other	Total
Year ended December 31, 1966:			
Maintenance and repairs	$ 38,461	$13,811	$ 52,272
Depreciation and amortization (A)	168,739	6,570	175,309
Taxes, other than income: (A)			
Payroll	167,777	16,317	184,094
Real estate and personal property	60,473	241	60,714
Franchise and sundry		13,114	13,114
Rents	50,894	19,489	70,383
Year ended December 31, 1967:			
Maintenance and repairs	$ 89,835	$35,756	$125,591
Depreciation and amortization (A)	180,217	14,120	194,337
Taxes, other than income: (A)			
Payroll	167,149	27,093	194,242
Real estate and personal property	77,643	265	77,908
Franchise and sundry		11,775	11,775
Rents	50,498	31,913	82,411
Year ended December 31, 1968:			
Maintenance and repairs	$113,155	$18,310	$131,465
Depreciation and amortization (A)	179,502	5,480	184,982
Taxes, other than income: (A)			
Payroll	175,768	23,434	199,202
Real estate and personal property	79,292	1,619	80,911
Franchise and sundry		11,409	11,409
Rents	72,270	41,146	113,416
Ten months ended October 31, 1969:			
Maintenance and repairs	$ 87,073	$20,590	$107,663
Depreciation and amortization (A)	178,363	13,751	192,114
Taxes, other than income: (A)			
Payroll	180,825	19,467	200,292
Real estate and personal property	80,850	1,650	82,500
Franchise and sundry		13,385	13,385
Rents	70,725	41,064	111,789

(A) Expense shown as separate line items in the consolidated statement of earnings.

There were no charges for management or service contract fees or royalties.

AGREEMENT OF MERGER

This AGREEMENT OF MERGER made as of the 29th day of December, 1969 between LFE CORPORATION, a corporation organized and existing under the laws of the State of Delaware (hereinafter called "LFE"), and API INSTRUMENTS COMPANY, a corporation organized and existing under the laws of the State of Ohio (hereinafter called "API").

WITNESSETH:

WHEREAS, API desires to merge with LFE and LFE desires to have API merge with and into LFE upon the terms and subject to the conditions herein set forth and in accordance with the laws of the State of Delaware and of the State of Ohio, and, immediately after such merger, API's business and assets shall be transferred by LFE to a new Delaware corporation, wholly-owned by LFE and also to be known as "API Instruments Company" ("New Company");

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

THE MERGER

On the Effective Date of the Merger (as defined in Section 10.2 hereof) API shall be merged into LFE which shall be the Surviving Corporation (and is hereinafter in such capacity so referred to), and LFE on such date shall merge API into itself (the "Merger"). The corporate existence of LFE, with all its purposes, powers and objects, shall continue unaffected and unimpaired by the Merger, and as the Surviving Corporation it shall be governed by the laws of the State of Delaware and succeed to all rights, assets, liabilities and obligations of API in accordance with the General Corporation Law of Delaware. The separate existence and corporate organization of API shall cease upon the Effective Date of the Merger and thereupon LFE and API shall be a single corporation, to wit, the Surviving Corporation.

ARTICLE II

CERTIFICATE OF INCORPORATION; BY-LAWS; EFFECT OF MERGER

2.1. The Certificate of Incorporation of LFE shall on or prior to the Effective Date of the Merger be amended, by an amendment in appropriate form, so as to read in its entirety as set forth in Exhibit A hereto and as so amended shall be the Certificate of Incorporation of the Surviving Corporation and may be further amended as provided by law. The Surviving Corporation reserves the right to amend, alter, change or repeal after the Merger any provision contained in its Certificate of Incorporation, and all rights conferred in this Agreement are subject to such reserved power.

2.2. The By-Laws of LFE as in effect on the Effective Date of the Merger shall be the By-Laws of the Surviving Corporation until the same shall thereafter be altered, amended or repealed in accordance with law, the Certificate of Incorporation of the Surviving Corporation or said By-Laws.

2.3. Upon the Effective Date of the Merger, the effect of the Merger shall be as provided in the applicable provisions of the laws of the States of Delaware and Ohio. Without limiting the generality of the foregoing, and subject thereto, upon the Effective Date of the Merger: (a) the separate

existence of API shall cease, and the Surviving Corporation shall possess all the rights, privileges, powers and franchises as well of a public as of a private nature, and shall be subject to all of the restrictions, disabilities and duties, of API; (b) all and singular, the rights, privileges, powers and franchises of API, all property, real, personal and mixed, and all debts due to API, on whatever account, as well for stock subscriptions as all other things in action or belonging to API, shall be vested in the Surviving Corporation; (c) all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of API and LFE, and the title to any real estate vested by deed or otherwise in either of API and LFE shall not revert or be in any way impaired; and (d) all rights of creditors and all liens upon any property of either of API and LFE shall be preserved unimpaired and all debts, liabilities and duties of API shall thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it. Any action or proceeding pending by or against API at the Effective Date of the Merger may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in its place.

ARTICLE III

CONVERSION OF SHARES

3.1. Upon the Effective Date of the Merger:

(a) Subject to the provisions of Section 3.2 hereof, each share of Common Stock, par value $1 per share, of API (herein called "API Common") then issued and outstanding (excluding any shares held in the treasury of API or any subsidiary of API and excluding any shares held of record or beneficially by LFE, which treasury shares and shares held by LFE shall be cancelled and cease to exist) shall thereupon be converted into 1.0 shares of voting Common Stock of LFE, par value $1 per share (herein called "LFE Common") and .3 of one share of voting Cumulative Preferred Stock, $.50 Convertible Series A of LFE, without par value (herein called "LFE Preferred"), the LFE Preferred to have the terms set forth in the resolution of the LFE Board of Directors attached as Exhibit B hereto as well as the terms applicable to the LFE Preferred set forth in LFE's Certificate of Incorporation (in the form attached as Exhibit A); provided that any shares of API Common as to which appraisal rights shall have been duly perfected in accordance with Ohio law shall have only such rights as are granted thereby; and

(b) Each share of LFE Common then issued and outstanding (and each share of LFE Common held in the treasury of LFE) shall remain unchanged and shall continue to be one share of LFE Common.

3.2. After the Effective Date of the Merger:

(a) Each holder of an outstanding certificate or certificates which prior thereto represented API Common shall surrender the same to Old Colony Trust Company, Exchange Agent for all such holders (the "Exchange Agent"), and such holder shall be entitled upon such surrender to receive in exchange therefor the number of shares of LFE Preferred and the number of shares of LFE Common into which the shares theretofore represented by the certificate or certificates so surrendered shall have been converted as aforesaid. Adoption of this Agreement of Merger by the shareholders of LFE and API shall constitute ratification of the appointment of the Exchange Agent. Until so surrendered, each such outstanding certificate which prior to the Effective Date of the Merger represented API Common shall be deemed for all corporate purposes, subject to the further provisions of this Section 3.2, to evidence the ownership of the number of shares of LFE Preferred and LFE Common into which the shares of API Common have been so converted. No cash or stock dividend payable, and no certificates representing split shares deliverable in the

event any such split shall be declared, to the holders of record of shares of LFE Preferred or shares of LFE Common shall be paid or delivered to the holder of any certificate which prior to the Effective Date of the Merger represented API Common unless and until such certificate is surrendered as hereinabove provided, but upon such surrender there shall be paid or delivered to the initial holder of record of the certificates for LFE Preferred and LFE Common issued in exchange therefor the amount of any such cash dividend, or a certificate for the whole number of shares of LFE capital stock resulting from any such stock dividends or splits (without interest thereon), which shall have theretofore become payable or deliverable with respect to such LFE Preferred and LFE Common.

(b) No certificates or scrip representing fractional shares of LFE Common or LFE Preferred pursuant to this Article III and no LFE dividend or stock split shall relate to any fractional share, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder. In lieu of any such fractional share, LFE shall afford to each holder of a certificate or certificates for API Common issued pursuant to Section 3.2(a) the opportunity, through the Exchange Agent, on or before the forty-fifth day following the Effective Date of the Merger, or on or before such later date (but in any event not later than the sixtieth day following such Effective Date), as LFE may determine, either to consolidate such holder's fractional interest into one full share of LFE Common and/or LFE Preferred, as the case may be, by purchasing the additional fractional interest required for such consolidation, or to sell such fractional interest and obtain the net proceeds thereof, subject to the further provisions of this Section 3.2, following the surrender for exchange of such holder's certificate or certificates for API Common as aforesaid. Any fractional interest with respect to which instructions shall not have been received by the Exchange Agent within the prescribed period shall be sold by the Exchange Agent, and the holder of any such fractional interest shall thereafter be entitled to receive the net proceeds of the sale thereof upon the surrender for exchange of his certificate or certificates for API Common as aforesaid. The Exchange Agent may offset buy and sell orders, and orders not offset will be executed on the New York Stock Exchange, or otherwise, as determined by the Exchange Agent in its discretion, using such factors as it may consider relevant.

(c) If any certificate for shares of LFE Common or LFE Preferred issued pursuant to Section 3.2 is to be issued in a name other than that in which the certificate for API Common surrendered for exchange is registered, it shall be a condition of such exchange that the certificate so surrendered shall be properly endorsed or otherwise in proper form for transfer and that the person requesting such exchange shall pay to LFE or its transfer agent any transfer or other taxes required by reason of the issuance of certificates for such LFE Common or LFE Preferred in a name other than that of the registered holder of the certificate surrendered, or establish to the satisfaction of LFE or its transfer agent that such taxes have been paid or are not applicable.

3.3. In connection with the shares of LFE Common and LFE Preferred to be issued to the shareholders of API pursuant to the Merger, it is agreed that if, subsequent to the date hereof and prior to the Effective Date of the Merger, LFE should

(i) declare any dividend payable in shares of LFE Common, or

(ii) split or combine or reclassify the outstanding shares of LFE Common,

each such event shall thereupon, and without more, effect an appropriate and proportionate adjustment in the number of shares of LFE Common deliverable hereunder to API shareholders. It is also agreed that, subsequent to the date hereof and prior to the Effective Date of the Merger, LFE shall not issue any shares of LFE Preferred.

3.4. Upon the Effective Date of the Merger it shall be deemed that the stock transfer books of API are closed and no transfer of presently outstanding shares of API Common shall thereafter be made on such books.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF API

API hereby represents and warrants that:

4.1. API has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Ohio. API has all requisite corporate power and authority to own its properties and assets and to conduct its business as now being conducted, and, to the best of the knowledge of its management, API is duly qualified or licensed and in good standing as a foreign corporation in all jurisdictions in which the nature of its properties or the character of its activities is such as to require it to be so qualified or licensed.

4.2. API has an authorized capital stock of 750,000 shares of API Common, of which at December 1, 1969 there were 538,309 shares issued and outstanding, 21,250 shares reserved for issuance upon exercise of existing employee stock options, 43,671 shares reserved for issuance upon conversion of outstanding 5¾% Convertible Subordinated Debentures Due 1972 (the "API Debentures") and 6,934 shares of API Common held in treasury. All the outstanding shares of capital stock of API are duly authorized, validly issued, fully paid and non-assessable.

4.3. The Schedule dated as of the date hereof, identified by the signature of an officer of API and heretofore delivered to LFE (which is throughout this Agreement referred to as the "API Schedule"), contains a complete and accurate list at the date of this Agreement of the subsidiaries of API, setting forth the name of each such subsidiary and its place of organization. Except for qualifying shares, API owns all of the outstanding stock of its subsidiaries and has made no material investment in or cash advance to any other Company or business organization. Each such subsidiary has been duly incorporated and is validly existing as a corporation in good standing under the laws of the place of its organization; the capital stock of each such subsidiary held by API is duly authorized, validly issued, fully paid and non-assessable; each such subsidiary has all requisite corporate power and authority to own its properties and to conduct its business as now being conducted; and, to the best of the knowledge of API, each such subsidiary is duly licensed or qualified and in good standing as a foreign corporation in all jurisdictions in which the nature of its properties or the character of its activities is such as to require it to be so licensed or qualified.

4.4. API is not committed, either firmly or conditionally, to sell or issue any capital stock (or any security changeable into, exchangeable for or convertible into, capital stock) except pursuant to (a) its employee stock options and (b) the conversion provisions of the API Debentures.

4.5. API has heretofore furnished to LFE (a) the consolidated balance sheet of API and its subsidiaries as at December 31, 1968 and the related consolidated statement of income and retained earnings for the fiscal year then ended, including the related notes and the opinion of Touche Ross & Co., independent certified public accountants, in respect thereof, and (b) the unaudited consolidated balance sheet as at November 30, 1969 and the related unaudited consolidated statement of income and retained earnings for the eleven months then ended, including the related notes, and certified by a financial officer of API (the "API Balance Sheet"). Subject to year end audit and adjustments in the case of the unaudited financial statements, all such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved and fairly present the consolidated financial position and consolidated results of operations of API and its consolidated subsidiaries as at the dates and for the periods indicated.

4.6. Neither API nor any of its subsidiaries has (and no one has asserted the existence of) any material liabilities or obligations, whether accrued, absolute, contingent or otherwise, except (a) as and to the extent reflected in the API Balance Sheet, (b) as incurred in the ordinary course of business since November 30, 1969, and (c) to the extent specifically identified in the API Schedule.

4.7. Except as set forth in the API Schedule, since November 30, 1969: (a) there has not been any material adverse change in the business, properties or condition (financial or otherwise) of API or any of its subsidiaries, viewed on a consolidated basis, or any event, occurrence, circumstance or combination thereof which might reasonably be expected to result in any such material adverse change before or after the Effective Date of the Merger; (b) there has not been any declaration, distribution, setting aside or payment of any dividend or other distribution in respect of API Common, or any redemption, purchase or other acquisition (direct or indirect) of any such stock; (c) neither API nor any of its subsidiaries has sold, disposed of, or encumbered any of its assets except in the ordinary course of business; (d) neither API nor any of its subsidiaries has acquired the assets or business of any other person, corporation, partnership or business by acquisition of stock, acquisition of assets, merger, reorganization, or otherwise; and (e) neither API nor any of its subsidiaries has entered into or agreed or committed to enter into any transaction other than in the ordinary course of business, including, without limiting the generality of the foregoing, any transaction of the nature described or referred to in clauses (b), (c) or (d) of this Section 4.7, except for transactions in connection with the making and performing of this Agreement and transactions expressly permitted hereby.

4.8. API and each of its subsidiaries has (and prior to the date of this Agreement no one has asserted that any of them does not have) good and marketable title to all of their properties reflected on the API Balance Sheet and to all their properties acquired since the date of the API Balance Sheet (except for properties disposed of in the ordinary course of business since such date), free and clear of all liens, restrictions, encumbrances, charges or equities of any nature whatsoever, except (a) as specifically set forth in the API Balance Sheet, (b) liens for current taxes not yet delinquent, (c) leases, public ways, easements, restrictions and other minor encumbrances or defects in title, none of which in any material respect interferes with or impairs the present or contemplated use of such property or the value thereof, and (d) as specifically indentified in the API Schedule.

4.9. All federal, state and other tax returns and reports of API and its subsidiaries required by law to be filed have been duly filed and all taxes, assessments, fees and other governmental charges shown to be due thereon have been paid or accrued. To the best of the knowledge and belief of the management of API, the API Balance Sheet contains adequate provision in all material respects for all taxes of every governmental authority (including any penalties, deficiency assessments, additions to tax and interest) payable by API or its subsidiaries for all transactions occurring, or any property or other assets owned or used, at any time on or before November 30, 1969.

4.10. To the best of the knowledge and belief of the management of API, and except for matters set forth in the API Schedule, (a) API and its subsidiaries own or possess substantially adequate licenses or other rights to use all patents, trademarks, trade names or copyrights used in their respective businesses and the same are sufficient to conduct their respective businesses substantially as now conducted; (b) there is no basis upon which anyone might validly assert that the ownership, condition or operation of the properties and assets of API or any of its subsidiaries, or the conduct of their respective businesses as heretofore conducted by them, has been or is in contravention of any applicable law or other requirement of any governmental authority or any proprietary right of any person, public or private; and (c) neither API nor any of its subsidiaries is a party to or bound by any agreement, lease, arrangement or other commitment which has had, or which might reasonably be expected to have at any time, a material adverse effect on the financial condition, results of operations or business of API and its subsidiaries, viewed on a consolidated basis.

4.11. Except as set forth in the API Schedule,

(a) at the date of this Agreement, there is no litigation, action, suit, proceeding or governmental investigation pending, or to the best of the knowledge and belief of the management of

API threatened, against API or any of its subsidiaries, their respective properties or businesses which, if decided adversely to API or its subsidiary, as the case may be,

(b) to the best of the knowledge and belief of the management of API, there is no basis upon which anyone might validly assert that API or any of its subsidiaries is in breach or default of any contract, agreement, commitment, or other obligation to which it is a party or by which it or any of its properties is bound which, if made the basis of a judicial proceeding successfully brought against API or any of its subsidiaries, as the case may be, and

(c) neither API nor any of its subsidiaries is subject to any order, writ, injunction, or decree of any court of any federal, state, municipal, local or other governmental authority, the terms of which or a default under which,

could have at any time a material adverse effect upon the financial condition, results of operation or business of API and its subsidiaries, viewed on a consolidated basis.

4.12. This Agreement has been fully authorized and approved on behalf of API by all requisite corporate action except for the vote of its shareholders contemplated by Section 6.2 hereof, and API has all requisite corporate power to enter into the same and, subject to obtaining such favorable shareholder vote, to consummate the transactions and other acts contemplated hereby. Except as set forth on the API Schedule: neither the execution nor the consummation of this Agreement does or will constitute a breach or default (or an occurrence which, by the lapse of time and/or the giving of notice, would constitute a breach of default) under any material agreement to which API or any of its subsidiaries is a party or by which any of them or their respective properties or assets is bound, or result in the creation, imposition or acceleration of any material lien, encumbrance, charge, equity or restriction of any nature in favor of any third party upon any of the properties or assets of any of them.

4.13. API has not, directly or indirectly, dealt with anyone acting in the capacity of a finder or broker, and has not incurred, and will not incur, any obligation for any finder's or broker's fee or commission in connection with this Agreement or any of the transactions contemplated hereby and hereby agrees to indemnify and hold LFE harmless against any loss or damage arising out of any claim for such fee or commission attributable to acts of API.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF LFE

LFE hereby represents and warrants that:

5.1. LFE has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware. LFE has all requisite corporate power and authority to own its properties and assets and to conduct its business as now being conducted, and, to the best of the knowledge of its management, LFE is duly qualified or licensed and in good standing as a foreign corporation in all jurisdictions in which the nature of its properties or the character of its activities is such as to require it to be so qualified or licensed.

5.2. LFE has an authorized capital stock of (a) 4,000,000 shares of LFE Common, of which at November 28, 1969 there were 1,315,498 shares issued and outstanding, 95,475 shares reserved for issuance upon exercise of existing employee stock options, 20,539 reserved for the grant of options pursuant to existing employee stock option plans and 14 shares of LFE Common held in treasury; and (b) 500,000 shares of LFE Series Preferred Stock, none of which are issued or outstanding. All the outstanding shares of LFE Common are duly authorized, validly issued, fully paid and non-assessable, except that 1,199 shares of LFE Common are only partly paid pursuant to the provisions of LFE's 1966 Qualified Stock Option Plan.

5.3. The Schedule dated as of the date hereof, identified by the signature of an officer of LFE and heretofore delivered to API (which is throughout this Agreement referred to as the "LFE Schedule"), contains a complete and accurate list at the date of this Agreement of the 50% or more owned subsidiaries of LFE, setting forth the name of each such subsidiary and its place of organization. Except for qualifying shares and except as set forth in the LFE Schedule, LFE owns all of the outstanding stock of its subsidiaries and has made no material investment in or cash advance to any other company or business organization. Each such subsidiary has been duly incorporated and is validly existing as a corporation in good standing under the laws of the place of its organization; the capital stock of each such subsidiary held by LFE is duly authorized, validly issued, fully paid and non-assessable; each such subsidiary has all requisite corporate power and authority to own its properties and to conduct its business as now being conducted; and, to the best of the knowledge of LFE, each such subsidiary is duly licensed or qualified and in good standing as a foreign corporation in all jurisdictions in which the nature of its properties or the character of its activities is such as to require it to be so licensed or qualified.

5.4. LFE is not committed, either firmly or conditionally, to sell or issue any capital stock (or other security changeable into, exchangeable for or convertible into, capital stock) except pursuant hereto and to its employee stock options, or as set forth in the LFE Schedule.

5.5. LFE has heretofore furnished to API (a) the consolidated balance sheet of LFE and its subsidiaries as at April 25, 1969 and the related consolidated statement of income and retained earnings for the fiscal year then ended, including the related notes and the opinion of Arthur Andersen & Co., independent certified public accountants, in respect thereof, and (b) the unaudited consolidated balance sheet of LFE as at October 24, 1969 and the related unaudited consolidated statement of income and retained earnings for the six months then ended, including the related notes and certified by a financial officer of LFE (the "LFE Balance Sheet"). Subject to year end audit and adjustments in the case of the unaudited financial statements, all such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved and fairly present the consolidated financial position and consolidated results of operations of LFE and its consolidated subsidiaries as at the dates and for the periods indicated.

5.6. Neither LFE nor any of its subsidiaries has (and no one has asserted the existence of) any material liabilities or obligations, whether accrued, absolute, contingent or otherwise, except (a) as and to the extent reflected in the LFE Balance Sheet, (b) as incurred in the ordinary course of business since October 24, 1969, and (c) to the extent specifically identified in the LFE Schedule.

5.7. Except as set forth in the LFE Schedule, since October 24, 1969: (a) there has not been any material adverse change in the business, properties or condition (financial or otherwise) of LFE or any of its subsidiaries, viewed on a consolidated basis, or any event, occurrence, circumstance or combination thereof which might reasonably be expected to result in any such material adverse change before or after the Effective Date of the Merger; (b) there has not been any declaration, distribution, setting aside or payment of any dividend or other distribution in respect of LFE Common or any redemption, purchase or other acquisition (direct or indirect) of any such Stock; (c) neither LFE nor any of its subsidiaries has sold, disposed of, or encumbered any of its assets except in the ordinary course of business; (d) neither LFE nor any of its subsidiaries has acquired the assets or business of any other person, corporation, partnership or business by acquisition of stock, acquisition of assets, merger, reorganization, or otherwise; and (e) neither LFE nor any of its subsidiaries has entered into or agreed or committed to enter into any transaction other than in the ordinary course of business, including, without limiting the generality of the foregoing, any transaction of the nature described or referred to in clauses (b), (c) or (d) of this Section 5.7, except for transactions in connection with the making and performing of this Agreement and transactions expressly permitted hereby.

5.8. LFE and each of its subsidiaries has (and prior to the date of this Agreement no one has asserted that any of them does not have) good and marketable title to all their properties reflected

on the LFE Balance Sheet (except for properties disposed of in the ordinary course of business since such date), free and clear of all liens, restrictions, encumbrances, charges or equities of any nature whatsoever, except (a) as specifically set forth in the LFE Balance Sheet, (b) liens for current taxes not yet delinquent, (c) leases, public ways, easements, restrictions and other minor encumbrances or defects in title, none of which in any material respect interferes with or impairs the present or contemplated use of such property or the value thereof, and (d) as specifically identified in the LFE Schedule.

5.9. All federal, state and other tax returns and reports of LFE and its subsidiaries required by law to be filed have been duly filed and all taxes, assessments, fees and other governmental charges shown to be due thereon have been paid or accrued. To the best of the knowledge and belief of the management of LFE, the LFE Balance Sheet contains adequate provision in all material respects for all taxes of every governmental authority (including any penalties, deficiency assessments, additions to tax and interest) payable by LFE or its subsidiaries for all transactions occurring, or any property or other assets owned or used, at any time on or before October 24, 1969.

5.10. To the best of the knowledge and belief of the management of LFE, and except for matters set forth in the LFE Schedule, (a) LFE and its subsidiaries own or possess substantially adequate licenses or other rights to use all patents, trademarks, trade names or copyrights used in their respective businesses and the same are sufficient to conduct their respective businesses substantially as now conducted; (b) there is no basis upon which anyone might validly assert that the ownership, condition or operation of the properties and assets of LFE or any of its subsidiaries, or the conduct of their respective businesses as heretofore conducted by them, has been or is in contravention of any applicable law or other requirement of any governmental authority or any proprietary right of any person, public or private; and (c) neither LFE nor any of its subsidiaries is a party to or bound by any agreement, lease, arrangement or other commitment which has had, or which might reasonably be expected to have at any time, a material adverse effect on the financial condition, results of operations or business of LFE or its subsidiaries, viewed on a consolidated basis.

5.11. Except as set forth in the LFE Schedule,

(a) at the date of this Agreement, there is no litigation, action, suit, proceeding or governmental investigation pending, or to the best of the knowledge and belief of the management of LFE threatened, against LFE or any of its subsidiaries, their respective properties or businesses which, if decided adversely to LFE or its subsidiary, as the case may be,

(b) to the best of the knowledge and belief of the management of LFE, there is no basis upon which anyone might validly assert that LFE or any of its subsidiaries is in breach or default of any contract, agreement, commitment, or other obligation to which it is a party or by which it or any of its properties is bound which, if made the basis of a judicial proceeding successfully brought against LFE or any of its subsidiaries, as the case may be, and

(c) neither LFE nor any of its subsidiaries is subject to any order, writ, injunction, or decree of any court of any federal, state, municipal, local or other governmental authority, the terms of which or a default under which,

could have at any time a material adverse effect upon the financial condition, results of operation or business of LFE and its subsidiaries, viewed on a consolidated basis.

5.12. This Agreement has been fully authorized and approved on behalf of LFE by all requisite corporate action except for the vote of its stockholders contemplated by Section 6.2 hereof, and LFE has all requisite corporate power to enter into the same and, subject to obtaining such favorable stockholder vote, to consummate the transactions and other acts contemplated hereby. Except as set forth on the LFE Schedule: neither the execution nor the consummation of this Agreement does

or will constitute a breach or default (or an occurrence which, by the lapse of time and/or the giving of notice, would constitute a breach of default) under any agreement to which LFE or any of its subsidiaries is a party or by which any of them or their respective properties or assets is bound, or result in the creation, imposition or acceleration of any material lien, encumbrance, charge, equity or restriction of any nature in favor of any third party upon any of the properties or assets of any of them.

5.13. LFE has not, directly or indirectly, dealt with anyone acting in the capacity of a finder or broker, and has not incurred, and will not incur, any obligation for any finder's or broker's fee or commission in connection with this Agreement or any of the transactions contemplated hereby and hereby agrees to indemnify and hold API harmless against any loss or damage arising out of any claim for such fee or commission attributable to acts of LFE.

ARTICLE VI

FURTHER AGREEMENTS OF THE PARTIES

6.1. Subject to the satisfaction of the conditions set forth in Article IX, as soon as practicable after the affirmative shareholder actions contemplated by Section 9.1(a) and (b), the procedures specified in Subchapter IX of the General Corporation Law of the State of Delaware, as amended, and in Chapter 1701 of the Revised Code of the State of Ohio to make effective the Merger of API into LFE pursuant to this Agreement, shall be carried out.

6.2. API and LFE shall each use all reasonable efforts to cause the Effective Date of the Merger to occur with all reasonable dispatch and neither shall undertake any course of action inconsistent with such intended result, except as otherwise specifically permitted by this Agreement. To this end and extent, each will promptly take such action as may be necessary to convene a meeting of its shareholders to take the shareholder actions referred to in this Agreement and will use all reasonable efforts to obtain the requisite affirmative votes of its shareholders at such meeting.

6.3. Between the date of this Agreement and the Effective Date of the Merger, LFE and API shall each allow the other access to such books, records and properties of it and its subsidiaries and furnish such information concerning it and its subsidiaries as the other may reasonably request from time to time in connection with this Agreement and the transactions and other acts contemplated hereby, and at the request of the party seeking such information the Chairman of the Board, President or Executive Vice President of the other party will certify that to the best of his knowledge and belief the particular information is true.

6.4. In addition to the other liabilities and obligations of API to be assumed by LFE hereunder, LFE shall, at the Effective Date of the Merger specifically assume the obligations of API with respect to API's outstanding stock options, and shall take all action which may be necessary (including the reservation for issuance of an appropriate number of shares) so that, at the Effective Date of the Merger, each outstanding option to acquire API Common shall become an option to acquire, at the same option price and on the same terms and conditions, one share of LFE Common and .3 of a share of LFE Preferred for each share of API Common subject to such option at the time of the Effective Date of the Merger (except that if the exercise of an option would require the issuance of a fraction of a share of LFE Common or LFE Preferred, such fraction shall not be issuable and the option price shall be appropriately adjusted).

6.5. From and after the Effective Date of the Merger the API Debentures outstanding immediately prior to the Effective Date of the Merger, unless and until duly redeemed, shall be and become convertible, at the conversion prices stated in the related Indenture dated September 1, 1962, as amended, between API and The National City Bank of Cleveland, as Trustee (the "Indenture"), into one share of LFE Common and .3 of a share of LFE Preferred for each share of API Common into which they otherwise would have been convertible but for the Merger, and the API Debentures, so changed, shall be assumed by, binding upon and enforceable against LFE. LFE shall execute a Supplemental Indenture effective as of the Merger Date to evidence such assumption, which Supplemental Indenture shall conform to the requirements of the Indenture.

6.6. LFE and API shall each use its best efforts to obtain a ruling satisfactory to each of them from the Internal Revenue Service (based on a request for ruling, including information in support of such request, satisfactory to each of them) to the effect that:

(a) The Merger will constitute a reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code of 1954, as amended (the "Code").

(b) No gain or loss will be recognized to LFE or API in the Merger or in the subsequent transfer of the API assets to New Company.

(c) The basis of the API assets in the hands of New Company will be the same as the basis of such assets in the hands of API immediately prior to the Merger.

(d) The holding period of API assets in the hands of New Company will include the period during which such assets were held by API.

(e) Upon the transfer of the API assets to New Company the basis of the Stock of New Company will be increased by an amount equal to the basis of the assets received by New Company reduced by the liabilities to which such assets are subject.

(f) No gain or loss will be recognized to an API shareholder on the exchange of API Common for LFE Common and LFE Preferred in the Merger.

(g) The basis of the LFE Common and the LFE Preferred (including any fractional share interests) received by an API shareholder in the Merger will be the same as the basis of API Common exchanged therefor.

(h) The holding period of LFE Common and LFE Preferred (including any fractional share interests) received by an API shareholder in the Merger will include the holding period of API Common exchanged therefor, providing the API Common so exchanged is held as a capital asset on the Effective Date of the Merger.

(i) The LFE Preferred received by the shareholders of API will constitute "Section 306 stock" within the meaning of Section 306(c)(1)(B) of the Code, but Section 306(a) of the Code will not apply to the proceeds of a disposition or redemption of LFE Preferred or of LFE Common received on conversion of LFE Preferred.

(j) The sale of a fractional interest of LFE Common or LFE Preferred will result in gain or loss to an API shareholder measured by the difference between the basis of the fractional share interest and the proceeds of the sale. The gain or loss will be a capital gain or loss, subject to the provisions and limitations of Subchapter P of Chapter 1 of the Code, provided such interest is held as a capital asset on the date of the exchange.

LFE and API may request, and may withdraw requests for, such additional rulings from the Internal Revenue Service as from time to time they may mutually deem expedient.

6.7. The parties hereto agree that notwithstanding anything to the contrary herein contained, prior to the Effective Date of the Merger,

(a) LFE and API may issue shares of LFE Common and API Common, respectively, upon the due exercise of stock options outstanding on the date hereof;

(b) API may issue shares of API Common upon conversion of any API Debentures in accordance with the terms thereof; and

(c) API may declare and pay a cash dividend of not more than $.07 per share to shareholders of record as of a date preceding the Effective Date of the Merger.

ARTICLE VII

CERTAIN COVENANTS OF LFE

7.1. Between the date of this Agreement and the Effective Date of the Merger, LFE shall, and shall cause its subsidiaries to, conduct their respective businesses and affairs only in the ordinary and usual course of business and not engage in any activity or enter into any transaction outside the ordinary and usual course of such business, except as otherwise expressly permitted by this Agreement (including, without limiting the generality of the foregoing, the LFE Schedule) or with the written consent of API. Without limiting the generality of the foregoing, neither LFE nor its subsidiaries shall, without such API consent or except as so expressly permitted, engage in any activity or enter into any transaction which would be inconsistent with any of LFE's representations and warranties set forth in Article V if such representations and warranties were made as of the date of such activity or transaction.

7.2. LFE shall use its best efforts to list, subject to official notice of issuance, on the New York Stock Exchange the shares of LFE Common and LFE Preferred to be issued in the Merger, and the shares of LFE Common to be reserved for issuance upon conversion of the LFE Preferred to be issued in the Merger, and to be reserved for issuance in connection with the exercise of the API employee stock options referred to in Section 6.4 hereof and the additional LFE employee stock options referred to in Section 7.4 hereof and upon conversion of the API Debentures.

7.3. LFE shall use its best efforts to cause to become effective by the Effective Date of the Merger or as soon thereafter as practicable a registration statement or statements on Form S-8 (or other appropriate form) under the Securities Act of 1933, as amended, covering the shares of LFE Common and LFE Preferred issuable upon the exercise of API employee stock options referred to in Section 6.4 hereof, such other shares of LFE Common as may be appropriate by reason of the conversion in the Merger of API Common theretofore issued upon the exercise of API employee stock options, and the shares of LFE Common issuable upon the exercise of the additional LFE employee stock options referred to in Section 7.4 hereof.

7.4. At the meeting of LFE stockholders contemplated by Section 6.2 hereof, the Board of Directors of LFE shall have approved, and shall submit for approval of the LFE stockholders, an amendment to its 1968 Qualified Stock Option Plan covering 40,000 additional shares of LFE Common.

7.5. Upon the Effective Date of the Merger the directors and officers of LFE and their respective addresses will be as set forth in Exhibit C attached hereto.

7.6. LFE agrees that the pension rights of present and retired employees of API and its subsidiaries, including past service benefits, will not be less than those granted such employees under the pension plan of API presently applicable to such employees, subject, nevertheless, to all the terms

of such plans as in effect as of the date of this Agreement or at the date of retirement of already retired employees.

7.7. Immediately after the Effective Date of the Merger, all of the assets and business of API received by LFE in the Merger shall be transferred to New Company, which then will be duly qualified to do business as a foreign corporation in the States of California and Ohio.

ARTICLE VIII

CERTAIN COVENANTS OF API

8.1. Between the date of this Agreement and the Effective Date of the Merger, API shall, and shall cause its subsidiaries to, conduct their respective businesses and affairs only in the ordinary and usual course of business and not engage in any activity or enter into any transaction outside the ordinary and usual course of such business, except as otherwise expressly permitted by this Agreement (including, without limiting the generality of the foregoing, the API Schedule) or with the written consent of LFE. Without limiting the generality of the foregoing, neither API nor its subsidiaries shall, without such LFE consent or except as so expressly permitted, engage in any activity or enter into any transaction which would be inconsistent with any of API's representations and warranties set forth in Article IV hereof if such representations and warranties were made as of the date of such activity or transaction.

8.2. Notwithstanding Section 6.5 hereof, at or immediately prior to the Effective Date of the Merger API shall give to holders of the API Debentures notice of redemption as provided in the Indenture.

ARTICLE IX

CONDITIONS PRECEDENT

9.1. The obligations of LFE and API to cause the Merger to be consummated, and thus the Effective Date of the Merger to occur, shall be subject to satisfaction of each of the following conditions, except as the same may be waived by the parties hereto in the manner provided in Section 10.7 hereof:

(a) At the meeting of LFE stockholders contemplated by Section 6.2 hereof, the stockholders of LFE shall have, by the requisite votes, duly adopted this Agreement and the Restated Certificate of Incorporation of LFE in the form of Exhibit A hereto, and shall have approved the amended LFE 1968 Qualified Stock Option Plan referred to in Section 7.4 hereof.

(b) At the meeting of API shareholders contemplated by Section 6.2 hereof, the shareholders of API shall have by the requisite votes, duly adopted this Agreement.

(c) At or before the Effective Date of the Merger there shall have been delivered to LFE and API either (i) a ruling of the Internal Revenue Service at least as favorable as that contemplated by Section 6.6 hereof, or (ii) with respect to those matters, if any, contemplated by Section 6.6, as to which such a favorable ruling shall not have been received, opinions from their respective counsel satisfactory to their respective Boards of Directors; provided, however, that notwithstanding any contrary provision of this Agreement API may, in its sole discretion, withdraw such ruling request on behalf of LFE and API and rely as to the matters covered by such ruling request on an opinion of its counsel.

(d) In the event that the Internal Revenue Service shall have issued a ruling with respect to any matter not requested in accordance with Section 6.6 hereof, then on the Effective Date

of the Merger there shall not be any good faith determination by the Board of Directors (upon advice of counsel) of API that the ruling on the matter (or the purport thereof) may adversely affect the benefits of such party or its shareholders intended under this Agreement.

(e) The listing on the New York Stock Exchange subject to official notice of issuance of shares of LFE Common and shares of LFE Preferred contemplated by Section 7.2 hereof shall have become effective at or before the Effective Date of the Merger.

(f) On the Effective Date of the Merger there shall be no court order enjoining or preventing consummation of the Merger.

(g) The Effective Date of the Merger shall have occurred on or before May 1, 1970.

9.2. The obligations of LFE to cause the Merger to be consummated, and thus the Effective Date of the Merger to occur, shall be subject to the satisfaction of each of the following conditions, except as LFE may waive the same in the manner provided in Section 10.7 hereof:

(a) The representations and warranties of API set forth in this Agreement (each read with regard to the date or dates, if any, specified therein) shall be accurate in all material respects both on the date hereof and immediately prior to the Effective Date of the Merger, except for any activities or transactions which may have taken place after the date hereof which are expressly permitted or contemplated by this Agreement, and no information certified to LFE pursuant to Section 6.3 hereof shall have omitted anything necessary to make such information not false or misleading in any material respect.

(b) API shall have performed and complied with all agreements required by this Agreement to be performed by API.

(c) API shall have furnished to LFE a certificate, dated the Effective Date of the Merger, signed by its President and Secretary to the effect that, to the best of the knowledge and belief of each of them, the conditions set forth in this Section have been satisfied.

(d) Messrs. Roudebush, Adrion, Brown, Corlett and Ulrich shall have delivered to LFE, immediately upon completion of the filings intended to effect the Merger, such firm's written opinion substantially to the following effect: (i) the representation of API in Section 4.2 hereof is true and correct except as otherwise contemplated by this Agreement; (ii) immediately prior to the Effective Date of the Merger, API was a corporation duly organized, validly existing and in good standing under the law of the State of Ohio, and had all requisite corporate power and authority to own its properties and to conduct its business as then conducted by it; and (iii) this Agreement has been fully authorized, approved and adopted on behalf of API by all requisite corporate action, and this Agreement constitutes the valid and binding obligation of API and is enforceable in accordance with its terms.

(e) The holders of not more than an aggregate of 15% of the outstanding shares of API Common on the date of the API shareholders' meeting referred to in Section 6.2, which were not voted in favor of the Merger, shall have demanded the fair cash value of such shares in accordance with Section 1701.85 of the Ohio Revised Code.

9.3. The obligations of API to cause the Merger to be consummated, and thus the Effective Date of the Merger to occur, shall be subject to the satisfaction of each of the following conditions, except as API may waive the same in the manner provided in Section 10.7 hereof:

(a) The representations and warranties of LFE set forth in this Agreement (each read with regard to the date or dates, if any, specified therein) shall be accurate in all material respects both on the date hereof and immediately prior to the Effective Date of the Merger, except for any activities or transactions which may have taken place after the date hereof which are expressly permitted or contemplated by this Agreement; and no information certified to API pursuant to Section 6.3 hereof shall have omitted anything necessary to make such information not false or misleading in any material respect.

(b) LFE shall have performed and complied with all agreements required by this Agreement to be performed by LFE.

(c) LFE shall have furnished to API a certificate, dated the Effective Date of the Merger, signed by its President and Secretary to the effect that, to the best of the knowledge and belief of each of them, the conditions set forth in this Section have been satisfied.

(d) Messrs. Burke & Burke, counsel for LFE, shall deliver to API, immediately upon completion of the filings intended to effect the Merger, such firm's written opinion substantially to the following effect: (i) LFE and New Company each is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and each has all requisite corporate power and authority to own its respective properties and to conduct its business as conducted immediately prior to, and contemplated to be conducted after, the Merger; (ii) this Agreement has been fully authorized, approved and adopted on behalf of LFE by all requisite corporate action, and this Agreement constitutes the valid and binding obligation of LFE and is enforceable in accordance with its terms; (iii) upon consummation of the filings intended to effect the Merger, the Merger of API into LFE became effective pursuant to all applicable laws, and thereupon the theretofore outstanding shares of API Common became converted into shares of LFE Common and LFE Preferred as contemplated by this Agreement; (iv) the shares of such LFE Common and such LFE Preferred are duly authorized, validly issued, fully paid and non-assessable, (v) the shares of LFE Common issuable upon exercise of the conversion rights of the LFE Preferred and the shares of LFE Common and LFE Preferred issuable upon conversion of the API Debentures and upon exercise of the API employee stock options referred to in Section 6.4, are duly authorized and when exercised in accordance with their respective terms will be validly issued, fully paid and non-assessable; and (vi) the API Debentures and the related Indenture have been assumed by LFE and constitute the legal, valid and binding obligations of LFE enforceable in accordance with their terms.

ARTICLE X

GENERAL

10.1. This Agreement may be terminated and abandoned at any time, before or after the meetings of shareholders contemplated by Section 6.2 hereof, prior to the Effective Date of the Merger:

(a) By mutual written consent of API and LFE authorized by their respective Boards of Directors;

(b) By written notice from LFE to API authorized by the Board of Directors of LFE and specifying the ground of termination, if any of the conditions provided in Sections 9.1 and 9.2 hereof shall not have been met; or

(c) By written notice from API to LFE authorized by the Board of Directors of API and specifying the ground of termination, if any, of the conditions provided in Sections 9.1 and 9.3 shall not have been met.

10.2. The Merger shall become effective at, and the "Effective Date of the Merger" shall mean for the purpose of this Agreement, the time when this Agreement has been filed with the Secretary of State of the State of Ohio and the Secretary of State of the State of Delaware in accordance with the applicable statutes of those States.

10.3. The Surviving Corporation hereby consents that it may be sued and served with process in the State of Ohio in any proceeding for the enforcement of any obligation of API and in any proceeding for the enforcement of the rights of a dissenting shareholder of API against the Surviving Corporation. The Secretary of State of the State of Ohio is hereby irrevocably appointed as the Surviving Corporation's agent to accept service of process in any such proceeding.

10.4. The Surviving Corporation hereby agrees that it will promptly pay to dissenting shareholders of API the amount, if any, to which they are entitled under Section 1701.85 of the Ohio Revised Code. The Surviving Corporation desires to transact business in the State of Ohio as a foreign corporation with its principal office in the State of Ohio to be located in Chesterland, Geauga County, and, accordingly, does hereby:

(a) Appoint John D. Saint-Amour, c/o API Instruments Company, Chesterland, Geauga County, as statutory agent of the Surviving Corporation in the State of Ohio; and

(b) Irrevocably consent (i) that service of process, notice, or demand against, to or upon the Surviving Corporation may be served within the State of Ohio upon such statutory agent so long as the authority of such agent continues, and (ii) to service of process upon the Secretary of State of Ohio in the circumstances provided for in Section 1703.19 of the Ohio Revised Code.

10.5. The combined earned surpluses of LFE and API, adjusted as may be required by generally accepted accounting principles to reflect the transactions described in Article III, shall constitute the earned surplus of the Surviving Corporation. The excess of the assets of the Surviving Corporation, taken at their fair value to the Surviving Corporation, over the sum of its liabilities, including liabilities derived from LFE and API or resulting from the Merger, and stated capital, shall, for purposes of Section 1701.78(B)(7) of the Ohio Revised Code, be at least equal to the earned surplus for the Surviving Corporation determined as aforesaid.

10.6. Whether or not the transactions and other acts contemplated by this Agreement are consummated, LFE and API shall each pay its own fees and expenses incident to the negotiations, preparations and execution of this Agreement and its respective shareholders' meeting and actions, including fees and expenses of its counsel, accountants, investment bankers and other experts; provided, however, that API and LFE shall share equitably any joint printing costs.

10.7. Any of the provisions of this Agreement may be waived at any time by the party which is, or the shareholders of which are, entitled to the benefit thereof, upon the authority of the Board of Directors of such party; provided, however, that no waiver shall be authorized after the last vote of the shareholders of such party hereof if such waiver shall, in the judgment of the Board of Directors of such party (whose judgment thereon shall be conclusive), affect materially and adversely the benefits of such party or its shareholders under this Agreement. Any of the provisions of this Agreement (including the Schedules and Exhibits) may be modified at any time prior to or after the vote hereon of shareholders of any party by agreement in a writing approved by the Board of Directors of each party and executed in the same manner (but not necessarily by the same persons) as this Agreement, provided that such modification, after the last vote of the shareholders of a party hereon, shall not, in the judgment of the Board of Directors of such party, affect materially and adversely the benefits of such party or its shareholders under this Agreement.

10.8. The liability of API to pay dissenters the fair cash value of their stock under the Ohio Revised Code by reason of the consummation of the Merger shall, for all purposes of this Agreement, be deemed not to be a material liability of API.

10.9. This Agreement shall supersede any other prior agreements, whether written or oral, that may have been made or entered into by API or LFE or any officer or officers of either of them, relating to the merger of such corporate parties. Nothing set forth in this Agreement is intended, or shall be construed, to confer upon or give any person, firm or corporation, other than LFE or API, and their respective shareholders, any rights or remedies under or by reason of this Agreement.

10.10. None of the representations and warranties contained in this Agreement or in any instrument delivered pursuant hereto shall survive the Effective Date of the Merger.

10.11. All notices and other communications required or permitted hereunder shall be in writing, or by telegram confirmed in writing, addressed:

If to LFE: LFE CORPORATION
1601 Trapelo Road
Waltham, Massachusetts 02154
Attention: Herbert Roth, Jr., *President*

If to API: API INSTRUMENTS COMPANY
Chesterland, Ohio 44026
Attention: John D. Saint-Amour, *President*

All such notices and other communications shall be deemed to have been duly given and received when actually delivered or, in the case of a writing dispatched by mail, 48 hours after being deposited in the United States mail, registered mail, return receipt requested, or, in the case of a telegram (confirmed in writing and so dispatched by mail), 24 hours after being dispatched by telegram. The address of any party hereto for purposes of such notices and other communications may be changed from time to time by written notice thereof given to the other parties hereto.

10.12. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, LFE and API have caused their respective corporate seals to be hereunto affixed and these presents to be signed by their respective officers thereunto duly authorized, all as of the day and year first above written.

LFE CORPORATION

[LFE Corporation Corporate Seal 1946 Delaware]

By .....
Herbert Roth, Jr., *President*

Attest:

.....
E. Mackay Fraser, *Secretary*

API INSTRUMENTS COMPANY

[API Instruments Company Corporate Seal Ohio]

By .....
John D. Saint-Amour, *President*

Attest:

.....
Myron W. Ulrich, *Secretary*

EXHIBIT A

RESTATED CERTIFICATE OF INCORPORATION

of

LFE CORPORATION

LFE Corporation, a Delaware corporation whose original Certificate of Incorporation was filed with the Secretary of State on May 15, 1946 under the name of "Laboratory For Electronics, Inc.", hereby restates and integrates its Certificate of Incorporation and all amendments filed with the Secretary of State of Delaware prior to March 13, 1970, but also includes further amendments adopted by the stockholders of the Corporation at a meeting thereof called for that date. The Restated Certificate of Incorporation, which is set forth below, was proposed by the directors and duly adopted by the stockholders in the manner and by the vote prescribed by §242 and in accordance with the provisions of §245 of the General Corporation Law of Delaware.

FIRST: The name of the Corporation is LFE Corporation.

SECOND: The address of the Corporation's registered office in Delaware is 100 West Tenth Street, Wilmington, New Castle County, and the name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The Corporation shall have authority to issue 4,500,000 shares of stock, consisting of 500,000 shares of Series Preferred Stock, without par value, and 4,000,000 shares of Common Stock, par value $1 per share.

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof are as follows:

DIVISION A

SERIES PREFERRED STOCK

SECTION 1. *Issuance in Series.*

1.1. The Series Preferred Stock may be issued from time to time in one or more series. Subject to the provisions of Sections 2 to 6, inclusive, of this Division, which provisions apply to all shares of Series Preferred Stock, the Board of Directors hereby is authorized to cause such shares to be issued in one or more series and with respect to each such series to fix and specify: (a) the designation of the series, which may be by distinguishing number, letter and/or title; (b) the number of shares to constitute such series (which number the Board of Directors may, except where otherwise provided in the creation of the series, increase or decrease, but not below the number of shares thereof then outstanding), and the distinctive designation thereof; (c) the annual dividend rate on the shares of such series and the date or dates from which dividends shall accrue and be cumulative; (d) the time or times and price or prices or redemption, if any, of the shares of such series; (e) the terms, amount and conditions of a retirement or sinking fund, if any, for the purchase or redemption of the shares of such series; (f) the amount which shares of such series shall be entitled to receive in the event of any liquidation, dissolution or winding up of the Corporation; (g) the voting rights, if any, of shares of such series in addition to those granted by Section 5 of this Division; (h) the status as to reissuance or sale of shares of such series redeemed, purchased or otherwise reacquired, or surrendered

to the Corporation on conversion; (i) the conditions and restrictions, if any, on the payment of dividends or on the making of other distributions on, or the purchase, redemption or other acquisition by the Corporation or any subsidiary, of the Common Stock or of any other class of shares of the Corporation ranking junior to the shares of such series as to dividends or upon liquidation; (j) such other preferences, rights, restrictions and qualifications as shall not be inconsistent herewith; and (k) whether the shares of the series shall be convertible into, or exchangeable for, shares of any other class or series of the Corporation, and, if so, the specification of such other class or series, the conversion price or prices, any adjustments thereof, the date or dates as of which such shares shall be convertible or exchangeable, and other terms and conditions upon which such conversion or exchange may be made.

1.2. All shares of the Series Preferred Stock shall rank equally and be identical in all respects regardless of series, except as to terms which may be fixed and specified by the Board of Directors pursuant to the provisions of Section 1.1. All shares of any one series of the Series Preferred Stock shall be of equal rank and identical in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall accrue and be cumulative. The Board of Directors is authorized to adopt from time to time resolutions fixing and specifying, with respect to each such series, the matters described in clauses (a) through (k), inclusive, of Section 1.1.

SECTION 2. *Dividends.*

2.1. The holders of the Series Preferred Stock shall be entitled to receive out of the funds legally available therefor, when and as declared by the Board of Directors, cash dividends at the annual rate specified for each particular series, and no more, payable on the dividend payment dates fixed for such series, from the dividend date or dates fixed for each such series, before any dividends shall be declared and paid upon or set apart for the Common Stock or for any other class of shares ranking junior to the Series Preferred Stock. Dividends upon the Series Preferred Stock shall be cumulative, so that if dividends upon the outstanding Series Preferred Stock at the rates specified for the respective series from the date or dates on which such dividends commence to accrue to the end of the specified dividend period (quarterly or otherwise) for such stock shall not have been paid or declared and a sum sufficient for the payment thereof set apart, the amount of the deficiency shall be paid, but without interest, or dividends in such amount declared and set apart for payment, before any dividends shall be declared or paid upon or set apart for, or any other distribution shall be ordered or made in respect of, the Common Stock and of any other class of shares ranking junior to the Series Preferred Stock, or before any Common Stock or shares of any other class of shares ranking junior to the Series Preferred Stock shall be purchased by the Corporation. If dividends on the Series Preferred Stock of any series are not paid in full or declared in full and sums set apart for the payment thereof, then no dividends shall be declared and paid on any such stock unless declared and paid ratably on all shares of each series of the Series Preferred Stock then outstanding, including dividends accrued or in arrears, if any, in proportion to the respective amounts that would be payable per share if all such dividends were declared and paid in full . A dividend shall be deemed to have been paid or funds therefor set apart on any date if on or prior to such date the Corporation shall have deposited funds sufficient therefor with a bank or trust company and shall have caused checks drawn against such funds in appropriate amounts to be mailed to each holder of record entitled to receive such dividend at his address then appearing on the books of the Corporation. The term "dividends accrued or in arrears" whenever used herein with reference to the Series Preferred Stock shall be deemed to mean an amount which shall be equal to dividends thereon at the annual dividend rates per share for the respective series from the date or dates on which such dividends commence to accrue to the end of the specified dividend period (quarterly or otherwise) for such stock (or, in the case of redemption, to the date of redemption), less the amount of all dividends paid upon such stock.

2.2. In no event so long as any Series Preferred Stock shall be outstanding shall any dividends, except a dividend payable in Common Stock or other shares ranking junior to the Series Preferred Stock, be paid or declared or any distribution be made on the Common Stock or any other shares ranking junior to the Series Preferred Stock, nor shall any Common Stock or any other shares ranking junior to the Series Preferred Stock be purchased, retired or otherwise acquired by the Corporation (except out of the proceeds of the sale of Common Stock or other shares ranking junior to the Series Preferred Stock received by the Corporation on or subsequent to April 1, 1970), unless (i) all dividends upon all Series Preferred Stock then outstanding for all dividend payment dates on or prior to the date of such action shall have been paid or funds therefor set apart, and (ii) all mandatory redemption or sinking fund obligations pursuant to the terms of any series of Series Preferred Stock for all sinking fund payments due on or prior to the date of such action shall have been complied with.

SECTION 3. *Liquidation, Dissolution, Winding-Up.*

The Series Preferred Stock shall be preferred over the Common Stock and any other class of shares ranking junior to the Series Preferred Stock as to assets, and in the event of any liquidation or dissolution or winding up of the Corporation (whether voluntary or involuntary) the holders of the Series Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, the amount specified for each particular series, plus all then unpaid dividends upon such shares for all dividend payment dates on or prior to the date of payment of the amount due pursuant to such liquidation or dissolution or winding up, plus a proportionate dividend based on the number of elapsed days for the period from the day after the most recent such dividend payment date through the date of payment of the amount due pursuant to such liquidation or dissolution or winding up, for every share of their holdings of Series Preferred Stock before any distribution of the assets shall be made to the holders of the Common Stock or other shares ranking junior to the Series Preferred Stock, and shall be entitled to no other or further distribution. If upon any liquidation, dissolution or winding up of the Corporation the assets distributable among the holders of Series Preferred Stock shall be insufficient to permit the payment in full to the holders of the Series Preferred Stock, of all preferential amounts payable to all such holders, then the entire assets of the Corporation thus distributable shall be distributed ratably among the holders of the Series Preferred Stock in proportion to the respective amounts that would be payable per share if such assets were sufficient to permit payment in full. The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other Corporation into, or the sale, lease or conveyance of all or substantially all of the property or business of the Corporation, shall not be deemed to be a liquidation or dissolution or winding up of the Corporation for the purposes of this Section 3.

SECTION 4. *Redemption.*

The whole or any part of the Series Preferred Stock at any time outstanding, or the whole or any part of any series thereof, may be redeemed by the Corporation at its election, expressed by resolution of the Board of Directors, upon not less than 30 days' previous notice to the holders of record of the Series Preferred Stock to be redeemed, given as hereinafter provided, at the time or times and price or prices specified for each particular series plus all then unpaid dividends upon such shares for all dividend payment dates on or prior to the redemption date, plus a proportionate dividend based on the number of elapsed days for the period from the day after the most recent such dividend payment date through the redemption date (which amounts, in the aggregate, hereinafter in this Section 4 are called "the redemption price"). If less than all of the Series Preferred Stock then outstanding, or of any series thereof, is to be redeemed, the redemption may be made either by lot or pro rata, in such manner as may be prescribed by resolution of the Board of Directors. Notice of such election of the Corporation shall be given by publication in a newspaper of general circulation in the Borough of Manhattan, The City of New York, and in a newspaper of general

circulation in such other place as may be specified for each particular series of the Series Preferred Stock, every such publication to be made not less than 30 nor more than 60 days prior to such redemption date. A similar notice shall be mailed by the Corporation, postage prepaid, not less than 30 nor more than 60 days prior to such redemption date, addressed to the respective holders of record of the Series Preferred Stock to be redeemed at their respective addresses as the same shall appear on the stock transfer records of the Corporation, but the mailing of such notice shall not be a condition of such redemption. If notice has been so given by publication, from and after the date fixed therein as the date of redemption, unless default shall be made by the Corporation in providing moneys for the payment of the redemption price pursuant to such notice, all dividends on the Series Preferred Stock thereby called for redemption shall cease to accrue and from and after the date of redemption so specified, unless default shall be made by the Corporation as aforesaid, or from and after the date (prior to the date of redemption so specified) on which the Corporation shall provide the moneys for the payment of the redemption price by depositing the amount thereof with a bank or trust company in the Borough of Manhattan, The City of New York, provided that the notice of redemption shall state the intention of the Corporation to deposit such amount on a date specified in such notice, all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price (but without interest), and the right, if any, to exercise all privileges of conversion specified for any particular series, shall cease and determine. Any interest allowed on moneys so deposited shall be paid to the Corporation. Any moneys so deposited which shall remain unclaimed by the holders of such Series Preferred Stock at the end of six years after the redemption date shall become the property of, and be paid by such bank or trust company to, the Corporation.

SECTION 5. *Voting Rights.*

5.1. Except as otherwise provided herein or required by law, or as set forth in one or more resolutions adopted by the Board of Directors, the holders of Series Preferred Stock (to the extent that such series is entitled to vote) and the holders of Common Stock shall vote together as one class on all matters. No adjustment of the voting rights, if any, of holders of Series Preferred Stock shall be made in the event of an increase or decrease in the number of shares of Common Stock authorized or issued or in the event of a stock split or combination of the Common Stock or in the event of a stock dividend on any class of stock payable solely in Common Stock.

5.2.1. Notwithstanding that the holders of a particular series of shares of Series Preferred Stock may otherwise have no, or limited or contingent, or partial, voting rights, if, and so often as, dividends in respect of any series of Series Preferred Stock shall be in default in an amount equal to or exceeding the dividend thereon for six quarterly periods at the rate fixed therefor, whether or not earned or declared, the holders of the outstanding Series Preferred Stock of all series, voting separately as a class, each share of Series Preferred Stock having one vote, in addition to any other voting right of such stock with respect to election of Directors, thereupon shall be entitled, and shall be entitled at each annual meeting of stockholders thereafter until all dividends in default on all series of Series Preferred Stock shall have been paid or declared and a sum sufficient for the payment thereof set apart, to elect two Directors of the Corporation, and the remaining Directors of the Corporation shall be elected by the holders of stock of the Corporation entitled to vote at elections of Directors in the absence of such a default in the payment of dividends, including the holders of outstanding Series Preferred Stock. The provisions of the Certificate of Incorporation of the Corporation relating to cumulative voting shall apply to the election of such two Directors as well as to the election of the remaining Directors. When all dividends in default on all series of Series Preferred Stock shall thereafter be paid or declared and a sum sufficient for the payment thereof set apart, the holders of the outstanding Series Preferred Stock shall then be divested of such right to elect two Directors of the Corporation and at the next annual meeting of stockholders and at each annual meeting thereafter each holder of Series Preferred Stock shall again have the same voting rights at the election of Directors as such holder would have had but for such default in the payment of dividends, but

always subject to the same provisions for the vesting of such right to elect two Directors in case of any similar future default in the payment of dividends on any series of Series Preferred Stock.

5.2.2. In the event of default entitling the holders of Series Preferred Stock to elect two Directors as specified in Section 5.2.1, a special meeting of the holders of Series Preferred stock for the purpose of electing such Directors shall be called by the Secretary of the Corporation upon written request of, or upon written notice to the Secretary of the Corporation may be called by, the holders of record of at least 10% of the shares of Series Preferred Stock of all series at the time outstanding, and notice thereof shall be given in the same manner as that required for the annual meeting of stockholders; *provided, however,* that the Corporation shall not be required, and the holders of Series Preferred Stock shall not be entitled, to call such special meeting if the annual meeting of stockholders shall be held within 90 days after the date of receipt by the Secretary of the Corporation of the foregoing written request or notice from the holders of Series Preferred Stock. At any annual meeting of stockholders or special meeting called for such purpose at which the holders of Series Preferred Stock shall be entitled to elect Directors, the holders of 35% of the then outstanding shares of Series Preferred Stock of all series, present in person or by proxy, shall be sufficient to constitute a quorum for such purpose, and the vote of the holders of a majority of such shares so present at any such meeting at which there shall be such a quorum shall be necessary and sufficient to elect the members of the Board of Directors which the holders of Series Preferred Stock are entitled to elect as hereinabove provided. If at any such meeting there shall be less than a quorum for such purpose present, the holders of a majority of the shares of Series Preferred Stock so present may adjourn the meeting for such purpose only from time to time without notice other than announcement at the meeting until a quorum shall attend.

5.2.3. The two Directors who may be elected by the holders of Series Preferred Stock pursuant to the foregoing provisions shall be in addition to any other Directors then in office or proposed to be elected otherwise than pursuant to such provisions, and nothing in such provisions shall prevent any change otherwise permitted in the total number of Directors of the Corporation or require the resignation of any Director elected otherwise than pursuant to such provisions.

5.3. Except as hereinbelow provided, the affirmative vote of the holders of at least two-thirds of the shares of each affected series of Series Preferred Stock at the time outstanding, given in person or proxy at a meeting called for the purpose at which the holders of each affected series of Series Preferred Stock shall vote separately as a class, shall be necessary to adopt any amendment to the Certificate of Incorporation, or adopt any resolution of the Board of Directors or take any other action (but so far as the holders of such series of the Series Preferred Stock are concerned, such amendment or resolution may be adopted or such action may be taken with such vote) which:

(i) changes issued shares of such series then outstanding into a lesser number of shares of the Corporation of the same class and series or into the same or a different number of shares of the Corporation of any other class or series; or

(ii) changes the preferences, special rights, or powers of such series in any manner so as to affect adversely the holders of such series then outstanding; or

(iii) authorizes shares of any class or series, or any security convertible into shares of any class or series, or authorizes the conversion of any security into shares of any class or series, ranking prior to such series; or

(iv) changes the preferences, special rights, or powers of issued shares of any class or series ranking prior to such series in any manner so as to affect adversely the holders of such series of Series Preferred Stock then outstanding;

provided, however, that this Section 5.3 shall not apply to, and the series vote herein specified shall not be required for the approval of, any action of the types described in the preceding clauses (i)

through (iv) which is a part of or effected in connection with the consolidation of the Corporation with or its merger into any other corporation, so long as the class vote specified by Section 5.4 is obtained in any case in which such class vote is required under clause (ii) of said Section 5.4.

5.4. Except as hereinbelow provided, the affirmative vote of the holders of at least a majority of the shares of Series Preferred Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Series Preferred Stock shall vote separately as a class, shall be necessary to effect any one or more of the following (but so far as the holders of Series Preferred Stock are concerned, such action may be effected with such vote):

(i) The sale, lease or conveyance by the Corporation of all or substantially all of its property or business; provided, however, that this clause shall not be construed to apply to a mortgage or creation of any security interest in assets of the Corporation; or

(ii) The consolidation of the Corporation with or its merger into any other corporation; provided, however, that no class vote shall be required by this clause if the corporation resulting from such consolidation or merger will have after such consolidation or merger no class or series of shares either authorized or outstanding ranking prior to or on a parity with the Series Preferred Stock except the same number of shares ranking prior to or on a parity with the Series Preferred Stock and having substantially the same rights and preferences as the shares of the Corporation authorized and outstanding immediately preceding such consolidation or merger, and each holder of Series Preferred Stock immediately preceding such consolidation or merger shall receive the same number of shares, with substantially the same rights and preferences, of the resulting corporation; or

(iii) The purchase or redemption (for sinking fund purposes or otherwise) of less than all of the Series Preferred Stock then outstanding except in accordance with a stock purchase offer made to all holders of record of Series Preferred Stock, unless (A) all dividends upon all Series Preferred Stock then outstanding for all dividend payment dates on or prior to the date of such purchase or redemption shall have been paid or funds therefor set apart, and (B) all mandatory sinking fund and mandatory redemption obligations pursuant to the terms of any series of Series Preferred Stock for all sinking fund payment dates on or prior to the date of such purchase or redemption shall have been complied with.

5.5. The affirmative vote of the holders of at least a majority of all of the voting shares of the Corporation at the time outstanding given in person or by proxy at a meeting called for the purpose at which the holders of the Series Preferred Stock shall not vote separately as a class, but shall vote together with all other shares of the Corporation entitled to vote thereon, shall be necessary to effect any amendment to the Certificate of Incorporation which authorizes additional shares of, or authorizes shares of any class which are convertible into, or authorizes the conversion of shares of any class into, Series Preferred Stock or shares ranking on a parity with the Series Preferred Stock (but such action may be effected with such vote).

SECTION 6. *Certain Definitions.*

6.1. Whenever reference is made to shares "ranking prior to" shares of a series of the Series Preferred Stock, such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof either as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are given preference over the rights of the holders of shares of such series of Series Preferred Stock.

6.2. Whenever reference is made to shares "ranking on a parity with" shares of a series of the Series Preferred Stock, such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof (i) neither as to the payment of dividends nor as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of

the Corporation are given preference over the rights of the holders of shares of such series of Series Preferred Stock, and (ii) either as to the payment of dividends or as to distributions in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation rank on an equality (except as to the amounts fixed therefor) with the rights of the holders of shares of such series of Series Preferred Stock.

6.3. Whenever reference is made to shares "ranking junior to" shares of a series of the Series Preferred Stock such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof both as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are junior and subordinate to the rights of the holders of shares of such series of the Series Preferred Stock.

DIVISION B

COMMON STOCK

SECTION 1. After the requirements in respect of dividends upon the Series Preferred Stock to the end of the then current specified dividend period for said class or series of stock shall have been met, the holders of the Common Stock shall be entitled to receive out of any remaining funds of the Corporation legally available for such dividends, such dividends as may from time to time be declared by the Board of Directors, and the holders of the Common Stock shall be entitled to share ratably in any dividends so declared to the exclusion of the holders of the Series Preferred Stock.

SECTION 2. In the event of any liquidation or dissolution or winding up of the Corporation (whether voluntary or involuntary), after payment in full of the amounts hereinbefore stated to be payable in respect of the Series Preferred Stock, the holders of the Common Stock shall be entitled, to the exclusion of the holders of the Series Preferred Stock, to share ratably in all the assets of the Corporation then remaining.

SECTION 3. In addition to the matters set forth in Section 1 and Section 2 of this Division B, the Common Stock in all respects shall be subject to the express terms of the Series Preferred Stock and of any series thereof. Each share of Common Stock shall be equal to every other share of Common Stock, and the holders of shares of Common Stock shall be entitled to one vote for each share of such stock upon all matters presented to the stockholders of the Corporation. Except as set forth in this Certificate, or in a Resolution of the Board of Directors of the Corporation, or as otherwise made mandatory by law, the holders of shares of Series Preferred Stock and the holders of shares of Common Stock shall vote together as one class.

FIFTH: At all elections of directors each stockholder shall be entitled to as many votes as shall equal the number of votes which (except for the provisions of this Article FIFTH) he would be entitled to cast for the election of directors with respect to his shares of stock multiplied by the number of directors to be elected, and he may cast all of such votes for a single director or may distribute them among the number to be voted for, or any two or more of them, as he may see fit.

SIXTH: The Board of Directors shall have the power to make, alter, or repeal the by-laws of the Corporation, but any by-laws made by the Board of Directors may be altered, amended or repealed by the stockholders at any annual or special meeting by the affirmative vote of the holders of a majority of the stock present and voting at such meeting, provided that notice of such proposed alteration, amendment or repeal is included in the notice of such meeting.

SEVENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths its value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

IN WITNESS WHEREOF LFE Corporation has caused its corporate seal to be affixed hereto and this Certificate to be signed by its President and its Secretary this 13th day of March 1970.

HERBERT ROTH, JR., *President*

E. MACKAY FRASER, *Secretary*

LFE CORPORATION

CORPORATE SEAL
1946
DELAWARE

EXHIBIT B

LFE CORPORATION

CERTIFICATE PURSUANT TO SECTION 151 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE CUMULATIVE PREFERRED STOCK $.50 CONVERTIBLE SERIES A

We, Herbert Roth, Jr. and E. MacKay Fraser, being respectively the President and the Secretary of LFE Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware, DO HEREBY CERTIFY that, pursuant to authority expressly vested in the Board of Directors of said Corporation by the provisions of its Certificate of Incorporation, the said Board of Directors, at a meeting thereof duly called and held pursuant to the By-Laws on December 22, 1969, at which meeting a quorum was present and acting throughout, duly adopted the following resolution:

> RESOLVED, That this Board of Directors, pursuant to authority expressly vested in it by the provisions of the Certificate of Incorporation of the Corporation hereby authorizes the issue of a series of Cumulative Preferred Stock of the Corporation and hereby fixes the designation, preferences and the relative, participating, optional or other rights, and the qualifications, limitations or restrictions thereof, in addition to those set forth in said Certificate of Incorporation, as follows:

DESIGNATION, VOTING POWERS, PREFERENCES, RIGHTS, QUALIFICATIONS, LIMITATIONS AND RESTRICTIONS OF THE CUMULATIVE PREFERRED STOCK $.50 CONVERTIBLE SERIES A

There is hereby established an initial series of Series Preferred Stock which shall be designated "Cumulative Preferred Stock $.50 Convertible Series A" (hereinafter called "$.50 Preferred Stock") and shall consist of 180,970 shares, and no more. The powers, privileges and relative, participating, optional and other special rights and the qualifications, limitations and restrictions, other than those specified for all series of Series Preferred Stock in the Certificate of Incorporation, shall be as follows:

SECTION 1. *Dividends.*

The dividend rate for the $.50 Preferred Stock shall be $.50 per share per annum, payable in semi-annual installments of $.25 each on the first days of April and October of each year, commencing October 1, 1970. Except as provided in the next sentence, such dividends shall accrue and be cumulative thereon commencing the date the merger of API Instruments Company, an Ohio corporation ("API"), into the Corporation pursuant to the Agreement of Merger made as of the 29th day of December, 1969 (the "Merger") becomes effective in accordance with the General Corporation Law of the State of Delaware (the "Merger Date"). Notwithstanding the next preceding sentence, dividends on shares of the $.50 Preferred Stock issued upon exercise of stock options of API assumed by the Corporation in the Merger, and dividends on shares of the $.50 Preferred Stock issued on conversion of the API 5¾% Convertible Subordinated Debentures Due 1972 (the "API Debentures"), in each case shall accrue and be cumulative thereon as of the date which is the closest in time to the date of such issuance, of (i) the Merger Date, or (ii) the date of the most recent payment of dividends on shares of the $.50 Preferred Stock payable otherwise than pursuant to this sentence.

SECTION 2. *Liquidation, Dissolution, Winding Up.*

The amount payable on the $.50 Preferred Stock in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, shall be $14 per share.

SECTION 3. *Redemption.*

The Corporation may redeem the $.50 Preferred Stock at any time or from time to time commencing on and after five years from the Merger Date. The price at which such stock may be redeemed shall be $10 per share. Notice of the election of the Corporation to redeem shares of the $.50 Preferred Stock shall be published in a newspaper of general circulation in Cleveland, Ohio, as well as in a newspaper of general circulation in the Borough of Manhattan, The City of New York.

SECTION 4. *Voting Rights.*

Except as otherwise provided in the Bylaws or in the Certificate of Incorporation or in this Certificate, each holder of $.50 Preferred Stock shall be entitled to vote at a rate of one vote for each share of such stock then outstanding and of record in his name on the books of the Corporation, and the $.50 Preferred Stock and the Common Stock shall vote together as one class.

SECTION 5. *Conversion Rights.*

5.1. The shares of the $.50 Preferred Stock shall be convertible at the option of the respective holders thereof at any time after the Merger Date and from time to time at the office of the transfer agent for the $.50 Preferred Stock located in the Borough of Manhattan, The City of New York, and at such other place or places, if any, as the Board of Directors of the Corporation may determine, into fully paid and non-assessable shares of Common Stock at the conversion price in effect at the time of conversion as hereinafter provided, each share of $.50 Preferred Stock being taken at $10 for the purpose of such conversion; provided, however, that in case of the redemption of any shares of $.50 Preferred Stock, such right of conversion shall cease and terminate as to the shares called for redemption at the close of business at the office of said transfer agent on the date duly fixed for redemption, unless default shall be made in the payment of the redemption price. The price at which shares of Common Stock shall be deliverable in exchange for shares of $.50 Preferred Stock upon conversion thereof (hereinafter referred to as the "conversion price") shall be initially $20 per share of Common Stock, so that each share of $.50 Preferred Stock shall initially be convertible into one-half share of Common Stock. The conversion price shall be subject to adjustment from time to time in certain instances, as in Section 5.7 hereinafter provided. Upon conversion, the Corporation shall make no payment or adjustment on account of dividends accrued or in arrears on the $.50 Preferred Stock surrendered for conversion.

5.2. Before any holder of $.50 Preferred Stock shall be entitled to have the same converted into Common Stock, he shall surrender the certificate or certificates for such $.50 Preferred Stock at the office of said transfer agent, or at such other place, if any, as the Board of Directors may have determined, which certificate or certificates, if the Corporation shall so request shall be duly endorsed to the Corporation or in blank or accompanied by proper instruments of transfer to the Corporation or in blank, and he shall given written notice to the Corporation at said office or place that he elects so to convert said $.50 Preferred Stock, stating in writing therein the name or names in which he wishes the certificate or certificates for Common Stock to be issued. The Corporation shall as soon as practicable thereafter issue and deliver at the office of said transfer agent or such other place to such holder of shares of $.50 Preferred Stock, or to his nominee or nominees, certificates for the number of full shares of Common Stock to which he shall be entitled as aforesaid, together with a cash adjustment in lieu of any fraction of a share as hereinafter stated, if not evenly convertible. Such conversion shall be deemed to have been made as of the close of business on the date of such surrender of the $.50 Preferred Stock to be converted, and the person or persons entitled to receive the Common Stock issuable upon conversion of such $.50 Preferred Stock shall be treated for all purposes as the record holder or holders of such Common Stock on such date.

5.3. No fraction of a share of Common Stock shall be issued upon conversion of shares of $.50 Preferred Stock, but, in lieu thereof, the Corporation shall pay to the holder of such shares so

converted who would otherwise be entitled to a fractional share, a cash adjustment in respect of such fraction in an amount equal (computed to the nearest cent) to the same fraction of the market price of a full share of Common Stock on the date immediately preceding the date upon which any such shares are surrendered for conversion. For the purposes of the foregoing, such market price shall be the last sale price regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices regular way, in either case as officially quoted on the New York Stock Exchange, or, if the Common Stock is not at the time listed on such Exchange, the average of the closing bid and asked prices as furnished by any recognized dealer in securities selected by the Corporation for the purpose. If more than one share shall be surrendered for conversion or exchange at one time by the same holder, the number of full shares of Common Stock deliverable upon conversion or exchange thereof shall be computed on the basis of the aggregate number of shares so surrendered.

5.4. All shares of $.50 Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding, and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall forthwith cease and determine except only the right of the holders thereof to receive Common Stock and cash for fractions of a share in exchange therefor.

5.5. The Corporation shall at all times reserve and keep available out of its authorized but unissued Common Stock the full number of shares of Common Stock deliverable upon the conversion of all shares of $.50 Preferred Stock from time to time outstanding. The Corporation shall from time to time in accordance with the laws of the State of Delaware increase the authorized amount of its Common Stock if at any time the authorized number of shares of Common Stock remaining unissued shall not be sufficient to permit the conversion of all of the shares of the $.50 Preferred Stock at the time outstanding.

5.6. The Corporation will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of shares of $.50 Preferred Stock pursuant hereto. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of the $.50 Preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax, or has established to the satisfaction of the Corporation that such tax has been paid.

5.7. The conversion price shall be subject to adjustment as herein provided:

(a) In case the Corporation shall at any time or from time to time after the Merger Date issue or sell any shares of its Common Stock (other than Excluded Shares), whether by way of stock dividend, stock split or otherwise, without consideration or for a consideration per share less than the conversion price in effect immediately prior to the time of such issue or sale, then forthwith, effective upon such issue or sale, said conversion price shall (until another such issue or sale) be reduced to a price (calculated to the nearest 10 cents) determined by dividing

(i) an amount equal to the sum of (x) the number of shares of Common Stock outstanding immediately prior to such issue or sale (other than Excluded Shares), multiplied by the then existing conversion price, plus (y) the consideration, if any, received by the Corporation upon such issue or sale, by

(ii) the total number of shares of Common Stock outstanding immediately after such issue or sale (other than Excluded Shares).

The term "Excluded Shares" shall mean shares of Common Stock issued upon conversion of shares of $.50 Preferred Stock and API Debentures, shares of Common Stock issued after the

Merger Date upon the exercise of options at any time heretofore or hereafter granted to officers or employees of the Corporation or any subsidiary thereof and intended to qualify as restricted or qualified stock options for the purposes of the Internal Revenue Code, and shares of Common Stock issued after the Merger Date for a consideration which does not consist entirely (or substantially entirely) of cash.

(b) The following rules shall be applicable for purposes of subparagraph (a) above:

(i) In the case of the issuance of shares for a consideration which consists entirely (or substantially entirely) of cash, the consideration shall be the amount of such cash before any deduction therefrom for any underwriting discounts or commissions or any expenses incurred by the Corporation for any underwriting of the issue or otherwise in connection therewith;

(ii) In the case of shares issued as a stock dividend, such shares shall be deemed to have been issued for no consideration, and such shares shall be deemed to have been issued at the close of business on the record date for the determination of stockholders entitled to receive the same;

(iii) In case the shares of Common Stock shall be subdivided by reclassification, recapitalization or otherwise, into a greater number of shares without the actual receipt by the Corporation of any consideration for the additional number of shares so issued, the number of such additional shares shall be deemed to be issued for no consideration; and

(iv) In case the Corporation shall at any time after the Merger Date issue any new securities convertible into Common Stock, or any options or rights to subscribe to Common Stock (other than shares of $.50 Preferred Stock or options or rights exercisable as to Excluded Shares), the shares of Common Stock issuable on the conversion of any such securities or upon the exercise of any such options or rights, shall be deemed not to be outstanding until the close of business on the date of conversion of such convertible securities or exercise of such options or rights. For the purpose of any computation under this subdivision (iv), the Corporation shall be deemed to have received a consideration for such Common Stock equal to the consideration received by the Corporation for the convertible securities, options or rights so issued, plus the consideration, if any, received by the Corporation upon their conversion or the exercise of any such options or rights, as the case may be.

(c) In case shares of Common Stock at any time outstanding shall be combined or consolidated into a lesser number of shares, either with or without par value, then the current conversion price shall be proportionately increased. Except as provided in this subparagraph (c), no adjustment of the conversion price shall be made which would result in a conversion price greater than the conversion price in effect prior to such adjustment.

(d) In case of any reclassification or change of outstanding shares of Common Stock of the class issuable upon conversion of the shares of the $.50 Preferred Stock (other than a change from no par value to par value, or from par value to no par value, or a change in par value, or as a result of a subdivision or consolidation of shares), or in case of any consolidation or merger of the Corporation with or into another corporation other than a merger with a subsidiary of the Corporation in which merger the Corporation is the continuing corporation and which does not result in any reclassification or change of outstanding shares of Common Stock of the class issuable upon conversion of the shares of the $.50 Preferred Stock, or in case of any sale or conveyance to another corporation of the property of the Corporation as an entirety or substantially as an entirety, the holder of each share of the $.50 Preferred Stock then outstanding shall have the right thereafter to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance, with the same protection against dilution as herein provided, by a holder of the

number of shares of Common Stock of the Corporation into which such share of $.50 Preferred Stock might have been converted immediately prior to such reclassification, change, consolidation, merger, sale or conveyance, and shall have no other conversion rights under these provisions; and effective provision shall be made in the Certificate of Incorporation of the resulting or surviving corporation or otherwise, so that the provisions set forth herein for the protection of the conversion rights of the $.50 Preferred Stock shall thereafter be applicable, as nearly as reasonably may be, to any such other shares of stock and other securities and property deliverable upon conversion of the $.50 Preferred Stock remaining outstanding or other convertible preferred stock received by the holders in place thereof; and any such resulting or surviving corporation shall expressly assume the obligation to deliver, upon the exercise of the conversion privilege, such shares, securities or property as the holders of $.50 Preferred Stock remaining outstanding, or other convertible preferred stock received by the holders in place thereof, shall be entitled to receive pursuant to the provisions hereof, and to make provisions for the protection of the conversion right as above provided. In case securities or property other than Common Stock shall be issuable or deliverable upon conversion as aforesaid, then all reference in this subparagraph (d) shall be deemed to apply, so far as appropriate and as nearly as may be, to such other securities or property.

(e) In case at any time conditions shall arise by reason of action taken by the Corporation which, in the opinion of the Board of Directors of the Corporation, are not adequately covered by the other provisions of Section 5.7 and which might materially and adversely affect the conversion rights pertaining to the shares of the $.50 Preferred Stock, or in case at any time any such conditions are expected to arise by reason of any action contemplated by the Corporation, the Board of Directors of the Corporation shall appoint a firm of independent public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Corporation) who shall give their opinion as to the adjustment of the conversion rate, if any (not inconsistent with the standards established in this Section 5.7), and as to the securities into which the shares of the $.50 Preferred Stock may thereafter be converted, which is or would be required to preserve without dilution the conversion rights pertaining to the shares of the $.50 Preferred Stock. The Board of Directors, after giving full consideration to the opinion of independent public accountants referred to in the preceding sentence, shall make such adjustment of the conversion rate or take any such action, as the case may be, as it shall in good faith deem necessary or appropriate.

(f) Whenever reference is made in Section 5.7 to the issue of shares of Common Stock, the term "Common Stock" shall mean any stock of any class of the Corporation other than preferred stock with a fixed limit on dividends and a fixed amount payable in the event of any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation. The Common Stock issuable upon conversion of $.50 Preferred Stock, however, shall, except as otherwise provided in subparagraph (d) above, be the Common Stock, par value $1 per share, of the Corporation as constituted on the effective date of this Resolution and changed thereafter by subdivision or consolidation of shares or change in or elimination of par value.

(g) Whenever the Corporation shall make any adjustment in the conversion rate as herein provided, the Corporation shall forthwith file with the transfer agent of the Common Stock in the Borough of Manhattan, The City of New York, a statement signed by the President or a Vice President of the Corporation and by its Treasurer or an Assistant Treasurer, showing in detail the facts requiring such adjustment and the conversion rate that will be effective after such adjustment.

(h) In case at any time:

(1) the Corporation shall declare any dividend payable in stock upon its Common Stock or authorize any distribution (other than regular cash dividends paid at an established annual rate) to the holders of its Common Stock; or

(2) the Corporation shall authorize the offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights; or

(3) there shall be any capital reorganization, liquidation, or winding up, as the case may be

then, and in each of such cases, the Corporation shall give written notice, by first class mail, postage prepaid, to the transfer agent for the $.50 Preferred Stock, and to each holder of record of such Stock at his address then appearing on the books of the Corporation, of the record date or of the date on which the transfer books of the Corporation shall close with respect to such actions. Such written notice shall be given at least 20 days prior to the action in question and not less than 20 days prior to the record date or the date on which the Corporation's transfer books are closed in respect thereto.

SECTION 6. *Shares Not Reissuable.*

Any shares of $.50 Preferred Stock redeemed, purchased or otherwise reacquired, or surrendered to the Corporation on conversion shall resume the status of authorized and unissued shares of Series Preferred Stock without series designation. Such shares shall not be reissued as part of the $.50 Preferred Stock, but may be reissued as part of any other series of Series Preferred Stock established in accordance with the resolution or resolutions of the Board of Directors.

IN WITNESS WHEREOF LFE Corporation has caused its corporate seal to be affixed hereto and this Certificate to be signed by its President and its Secretary this day of , 1970.

LFE CORPORATION

_____

HERBERT ROTH, JR., *President*

_____

E. MACKAY FRASER, *Secretary*

LFE CORPORATION

CORPORATE SEAL
1946
DELAWARE

EXHIBIT C

LFE CORPORATION

OFFICERS AND DIRECTORS

Upon the effective date of the API merger the Officers and Directors of LFE Corporation and their respective addresses are as follows:

Directors:

Emmons Bryant	Blair & Co., Inc. 20 Broad Street New York, New York 10005
Coleman Burke	Burke & Burke One Wall Street New York, New York 10005
C. W. Halligan	52 Shaw Road Wayland, Massachusetts 01778
Henry W. Harding	300 Woodland Road Chestnut Hill, Massachusetts 02167
Virgil E. Johnson	Mohawk Data Sciences Corporation Palisade Street Herkimer, New York 13350
Robert E. Peach	Mohawk Airlines Inc. Oneida County Airport Utica, New York 13503
Herbert Roth, Jr.	LFE Corporation 1601 Trapelo Road Waltham, Massachusetts 02154
George J. Schwartz	LFE Corporation 1601 Trapelo Road Waltham, Massachusetts 02154
Louis B. Warren	Kelley Drye Warren Clark Carr & Ellis 350 Park Avenue New York, New York 10022
David T. Morgenthaler	1414 Union Commerce Building Cleveland, Ohio 44115
John D. Saint-Amour	API Instruments Company 11655 Chillicothe Road Chesterland, Ohio 44026

Officers:

Herbert Roth, Jr.	President	LFE Corporation 1601 Trapelo Road Waltham, Massachusetts 02154
George J. Schwartz	Senior Vice President	Same
Alfred M. Kerzner	Group Vice President	Same
John D. Saint-Amour	Group Vice President	API Instruments Company 11655 Chillicothe Road Chesterland, Ohio 44026
John L. Barker	Vice President, Transportation Systems	Automatic Signal Division of LFE Corporation Regent Street East Norwalk, Connecticut 06856
Robert L. Francisco	Vice President	LFE Corporation 1601 Trapelo Road Waltham, Massachusetts 02154
Fred W. Hannula	Vice President	Trapelo Division of LFE Corporation 1601 Trapelo Road Waltham, Massachusetts 02154
William Powell	Vice President — Finance and Treasurer	LFE Corporation 1601 Trapelo Road Waltham, Massachusetts 02154
E. MacKay Fraser	Secretary and General Counsel	Same
Charles V. Glynn	Controller	Same
James Neely	Assistant Controller	Same
William C. Applegate	Assistant Secretary	Automatic Signal Division — West LFE Corporation 3011 West Lomita Boulevard Torrance, California 90503
William R. Carapezzi	Assistant Secretary	Eastern Industries Division of LFE Corporation 100 Skiff Street Hamden, Connecticut 06514
Paul H. Jones	Assistant Secretary	Automatic Signal Division of LFE Corporation Regent Street East Norwalk, Connecticut 06856
Lillian E. Russ	Assistant Secretary	Trapelo Division — West LFE Corporation 2030 Wright Avenue Richmond, California 94804
Robert S. Toperzer	Assistant Secretary	LFE Corporation 1601 Trapelo Road Waltham, Massachusetts 02154

TEXT OF SECTION 1701.85, OHIO REVISED CODE

Sec. 1701.85. Rights of and proceedings concerning dissenting shareholders.

(A) A shareholder entitled to notice of a meeting called to act upon any of the proposals mentioned in this section whose shares have not been voted, and shall not be voted, in favor of such proposal and whose shares are of a class or classes as to which relief under this section is granted by sections 1701.74, 1701.76, 1701.81, 1701.83, or 1701.84 of the Revised Code, when the articles have been amended, when all or substantially all the assets of the corporation have been authorized to be leased, sold, exchanged, transferred, or otherwise disposed of, when a merger or consolidation has been authorized, or when a combination or majority share acquisition has been authorized, shall be entitled, upon complying with the provisions of this section, to be paid the fair cash value of such shares held of record by him on the date for the determination of shareholders entitled to notice of said meeting. Such shareholder, in order to become entitled to such payment, shall serve a written demand therefor upon the corporation on or before the later of the two following dates:

(1) The thirtieth day after the giving of notice of the meeting;

(2) The tenth day after the taking of the vote adopting the amendment or authorizing the transaction.

The shareholder shall specify in said demand his name and address, the number and class of shares so held by him on said record date and with respect to which such demand is made, and the amount per share claimed by him as constituting such value. If the corporation mails a request therefor to the shareholder at the address specified in said demand, the shareholder, within fifteen days from the mailing of such request, shall deliver in accordance with said request the certificates representing such shares, in order that the corporation may indorse thereon a legend to the effect that demand for the fair cash value of such shares has been made, whereupon the corporation shall promptly return such certificates, so indorsed, to the shareholder. If the corporation is unwilling to pay the amount so demanded, it may, within ten days after the expiration of the period within which such demands may be made, so notify the shareholder and make a counter-offer of a different amount per share as the fair cash value of the shares as to which demand has been made in compliance herewith. Either the demand of the shareholder or the counter-offer of the corporation, or both, may expressly provide that the same is made or given upon the condition that the amendment to the articles becomes effective or that the authorized transaction be consummated, as the case may be.

(B) The fair cash value of the shares involved in the demand by the shareholder shall be deemed to be the amount demanded by him if he has complied with the provisions of this section, or, if the corporation as aforesaid has made a counter-offer of a different amount per share, then the amount per share specified in such counter-offer, unless either:

(1) The corporation and the shareholder at any time within three months from the time said vote was taken agree upon a different amount;

(2) The shareholder or the corporation, within said three months period (but not thereafter), files a petition in the court of common pleas of the county in which the principal office of the corporation is located to determine the fair cash value per share.

Two or more dissenting shareholders may join as plaintiffs or may be joined as defendants in any such proceeding and any two or more such proceedings may be consolidated. The petition shall contain a brief statement of the facts, including the vote and action objected to and the facts entitling the dissenting shareholder to the relief demanded. No answer to such petition shall be required. Upon the filing of the petition, the court, on the motion of the petitioner, shall enter an order

fixing a date for hearing the petition, and requiring that a copy of the petition and a notice of the filing and of the date for hearing be given to the respondent or defendant in the manner in which summons is required to be served or substituted service is required to be made in other cases. On the day fixed for the hearing of the petition or any adjournment thereof, the court shall determine from the petition and from such evidence as is submitted by either party whether the shareholder is entitled to be paid the fair cash value of any shares and, if so, the number and class of such shares. Neither the making of a counter-offer by the corporation nor the request by the corporation that the shareholder deliver his share certificates for the indorsement of a legend thereon, nor the indorsement of such legend, shall be deemed to be an admission by the corporation that the shareholder is entitled to be paid the fair cash value of his shares. If the court finds that such shareholder is so entitled, it shall appoint three appraisers to determine such value of said shares and shall instruct the appraisers respecting their duties. The appraisers shall forthwith proceed to determine said fair cash value, and the appraisers, or a majority of them, shall make a report thereof within ten days, unless the court extends the time, and shall file their report with the clerk of the court, whereupon, on motion of either party, the report shall be submitted to the court and considered on such evidence as the court considers relevant; and if the fair cash value set forth in the report is found reasonable, and is confirmed and approved by the court, judgment shall be rendered against the corporation for the payment of the amount of such fair cash value, with interest at such rate and from such date as the court fixes in said judgment. If the appraisers, or a majority of them, fail to file their report within ten days, or within such further time as is fixed by the court, or if the report is not confirmed by the court, the court shall summarily determine the fair cash value of the shares and render judgment therefor with interest thereon as aforesaid. The costs of the proceeding, including reasonable compensation to the appraisers to be fixed by the court, shall be assessed or apportioned as the court considers equitable. Such a proceeding shall be a special proceeding within the meaning of section 2505.02 of the Revised Code, and final orders therein may be vacated, modified, or reversed as provided in sections 2505.01 to 2505.45, inclusive, of the Revised Code. If during the pendency of any proceeding instituted under this section an action is or has been instituted to enjoin or otherwise to prevent such amendment or the carrying out of such transaction, the proceeding shall be stayed until the final determination of such action. Unless the provisions in division (D) of this section are applicable, the fair cash value of said shares, however fixed, shall be paid within thirty days after the later of:

(1) The date of final determination of such value under this division (B);

(2) The effective date of the amendment to the articles or the consummation of the authorized transaction, as the case may be.

Such payment shall be made only upon and simultaneously with the surrender to the corporation of the certificates representing the shares for which such payment is made.

(C) The fair cash value of a share is hereby defined as the amount which a willing seller, under no compulsion to sell, would be willing to accept and a willing buyer, under no compulsion to purchase, would be willing to pay and shall be fixed as of the day prior to that on which said vote was taken, provided that in no event shall the amount thereof exceed that specified in the demand of the particular shareholder. There shall be excluded from such value any appreciation or depreciation resulting from the proposal acted upon at said meeting.

(D) The right to receive and the obligation to pay such fair cash value shall terminate if:

(1) Said shareholder fails to comply with the request of the corporation to deliver his certificates for indorsement thereon of the aforesaid legend within the fifteen-day period above mentioned, or otherwise fails to comply with the provisions of this section, unless the corporation by its directors waives such failure;

(2) The corporation abandons, or is finally enjoined or prevented from carrying out, its purpose to effect such amendment or to carry out such transaction;

(3) The shareholders rescind the adoption of such amendment or authorization of such transaction;

(4) The shareholder withdraws his demand with the consent of the corporation by its directors.

(E) From the making of said demand until either the termination of the right arising therefrom or the purchase of the shares by the corporation, all rights accruing from such shares, including voting and dividend rights, shall be suspended except only the right of the holder to receive the fair cash value thereof. If during such suspension any dividend is paid in money upon shares of such class, an amount equal to the dividend which, except for said suspension, would be payable upon said shares shall be paid to the holder of record thereof but as a credit upon the fair cash value of said shares. If the right to receive such fair cash value is terminated otherwise than by the purchase of the shares by the corporation, all rights of the holder thereof shall be restored and all distributions which, except for said suspension, would have been made thereon shall be promptly made to the holder of record of said shares at the time of said termination.